Supreme Court, U.S.
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No. _____

In The

Supreme Court of the United States

October Term, 1998

TOUGH TRAVELER, LTD.,

Petitioner,

v.

OUTBOUND PRODUCTS, TAYMOR INDUSTRIES, LTD., and TAYMOR INDUSTRIES, U.S.A.,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Do the factual findings that a plaintiff's product configuration comprises inherently distinctive trade dress, that the defendant intentionally copied the plaintiff's product configuration, and that the defendant acted in bad faith lead to a presumption that a likelihood of confusion exists?

2. Does the inferior nature of a trade dress defendant's product weigh in favor of allowing the defendant to use the plaintiff's trade dress?

3. Should the absence of admissible evidence of actual consumer confusion support the dismissal of a trade dress infringement claim on summary judgment on the basis that no likelihood of confusion can be established?

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BASIS FOR JURISDICTION IN THIS COURT

The judgment of the United States Court of Appeals for the Second Circuit which is the subject of this petition was entered on October 21, 1998. The Second Circuit denied Petitioner's request for a rehearing on November 12, 1998. On February 16, 1999, Justice Ginsberg granted Petitioner's request for an extension of time and extended the time for Petitioner to file this petition to and including April 12, 1999. This Court has jurisdiction to review the decision of the Second Circuit by writ of certiorari pursuant to 28 U.S.C. § 1254(1).

STATUTES INVOLVED IN THE CASE

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –

> (A) is likely to cause confusion, or to cause mistake, or to deceive as to affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

STATEMENT OF THE CASE

Petitioner, Tough Traveler, Ltd., manufactures and markets child carriers. These carriers, known as "Kid Carriers", allow a parent or other adult to safely and comfortably carry a child upon his or her back without encumbering the hands of either the adult or the child.

Petitioner's Kid Carriers have met with commercial success. Petitioner initiated these proceedings by filing a complaint in the United States District Court for the Northern District of New York alleging that the Respondents violated the Lanham Act and New York state law by copying the trade dress embodied in the design and configuration of Petitioner's Kid Carrier. The Northern District exercised jurisdiction over this case pursuant to 28 U.S.C. § 1338 and 15 U.S.C. § 1121.

The District Court granted Petitioner's request for a preliminary injunction enjoining the Respondents from selling products embodying Petitioner's trade dress. A43-49. The Respondents appealed the grant of the preliminary injunction. The Second Circuit Court of Appeals reversed the grant of the preliminary injunction based upon the perceived unreasonable delay of Petitioner in seeking the preliminary injunction. A50-59.

The Respondents filed a motion for summary judgment on all claims, and the Petitioner filed a cross motion for summary judgment on the New York state law claims. In making factual findings for purposes of summary judgment, the District Court found that Petitioner's product configuration comprises inherently distinctive trade dress, A21-22, that the Respondents' child carrier bears a "very strikingly visual similarity" to Petitioner's Kid Carrier, A29, that the Respondents intentionally copied Petitioner's product configuration, A35-36, and that the Respondents acted in bad faith, A36-37. Nevertheless, the District Court concluded as a matter of law that Petitioner could not succeed in showing a likelihood of confusion as to the source of the two products. A40-41. In dismissing Petitioner's trade dress claims, the District

Court reasoned that the absence of admissible evidence of actual confusion suggested that there was no likelihood of confusion, A33, that the Respondents' bad faith in copying Petitioner's trade dress was of reduced importance in determining whether a likelihood of confusion existed, A33, and that the inferior quality of the Respondents' product decreased the likelihood of confusion, A37.

Petitioner timely appealed to the United States Court of Appeals for the Second Circuit. The Second Circuit affirmed the District Court. A1-7. Petitioner's request for a rehearing was denied by the Second Circuit. A67-68. Justice Ginsberg granted Petitioner's request for an extension of time to file a petition for certiorari, extending until April 12 the time for this petition to be filed.

REASONS FOR GRANTING THE WRIT

I. Do the factual findings that a plaintiff's product configuration comprises inherently distinctive trade dress, that the defendant intentionally copied the plaintiff's product configuration, and that the defendant acted in bad faith lead to a presumption that a likelihood of confusion exists?

A. The circuits are in conflict regarding the standard, if any, for establishing a presumption of a likelihood of confusion.

The circuits are in disagreement as to what, if any, presumption arises from the intentional copying of a competitor's trade dress. The Fourth Circuit, as well as most Second Circuit precedents, holds that the intentional

copying of a competitor's trade dress leads to a presumption that a likelihood of confusion exists. The Fifth, Sixth, Ninth, and Eleventh Circuits hold that the intentional copying of a competitor's trade dress leads to a presumption of a likelihood of confusion when accompanied by a bad faith intent to derive a benefit from the plaintiff's reputation or confuse consumers. The Restatement (Third) of Unfair Competition takes this position as well. The Third and Seventh Circuits hold that intentional copying, even in bad faith, does not raise a presumption of a likelihood of confusion. Some Second Circuit cases, including those below in these proceedings, take this view. Even within these three broad approaches, there exist important differences in the strength of any resulting presumption, and the evidentiary standard required to demonstrate copying or bad faith.

The Northern District found, for purposes of summary judgment, that: (1) the design of Petitioner's Kid Carrier is inherently distinctive trade dress, A21-22; (2) Respondent's carrier "bear[s] a very striking similarity in [its] overall appearance" to Petitioner's inherently distinctive Kid Carrier, A29; (3) Respondent copied the design of Petitioner's Kid Carrier, A35-36; (4) Respondent acted in bad faith in copying Petitioner's Kid Carrier, A36-37; (5) there was no admissible evidence of actual confusion, A30-33; and (6) the Respondents' product was inferior to Petitioner's, A37. In most circuits, these factual findings would virtually preclude summary judgment dismissing Petitioner's trade dress infringement claim based upon the absence of a likelihood of confusion. However, the Northern District of New York summarily dismissed Petitioner's claim. Because the District Court's

factual findings would lead to different results in different circuits, Petitioner respectfully requests that this petition for certiorari be granted.

1. The intentional copying of a senior user's trade dress leads to a presumption of a likelihood of confusion in the Fourth Circuit, as well as under most Second Circuit precedents.

Upon finding an intentional copying of existing trade dress, the Fourth Circuit presumes a likelihood of confusion. Ironically, most case law in the Second Circuit follows this rule. Under this view, a plaintiff must first establish that it possesses trade dress rights. Once a plaintiff's trade dress rights are established, a factual showing that the defendant intentionally copied that trade dress leads to the presumption that the defendant's copying has created a likelihood of confusion.

This presumption traces its roots to a decision by Judge Learned Hand. In *My-T Fine Corp. v. Samuels*, Judge Hand explained that evidence of copying

> has an important procedural result; a late comer who deliberately copies the dress of his competitors already in the field, must at least prove that his effort has been futile.

69 F.2d 76, 77 (2nd Cir. 1934). Judge Hand went on to observe that the defendant who intentionally copied another's trade dress may avoid liability by showing

> that, however bad his purpose, it will fail in the execution; if he does, he will win. But such

> intent raises a presumption that customers will be deceived.

Id. (internal citations omitted). The presumption described by Judge Hand has been described as "an integral part of the fabric of trademark analysis." Andrew Finch, *When Imitation is the Sincerest Form of Flattery*, 63 U.Chi.L.Rev. 1243, 1253 (1996) (quoting J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:34 at 23-219 & n.18 (Clark Boardman Callaghan 1995)).

The Fourth Circuit agreed with Judge Hand's analysis when faced with a defendant who copied a plaintiff's trade dress. *Osem Food Indus. v. Sherwood Foods, Inc.*, 917 F.2d 161, 165 (4th Cir. 1990) (vacating denial of preliminary injunction and remanding). In reaching its conclusion, the Fourth Circuit reasoned that

> [w]hen a newcomer to the market copies a competitor's trade dress, its intent must be to benefit from the goodwill of the competitor's customers by getting them to believe that the new product is either the same, or originates from the same source as the product whose trade dress was copied. Logic requires, no less than the presumption of secondary meaning from copying, that from such intentional copying arises a presumption that the newcomer is successful and that there is a likelihood of confusion. It would be inconsistent not to require one who tries to deceive customers to prove that they have not been deceived.

Id. In the Fourth Circuit, therefore, a defendant's act of intentionally copying a plaintiff's trade dress standing alone results in the presumption that a likelihood of

confusion exists, with no showing of intent to derive a benefit or confuse consumers.

Most Second Circuit precedents support the proposition that the intentional copying of a senior user's trade dress leads to a presumption that a likelihood of confusion exists. For example, in *Harlequin Enterprises Ltd. v. Gulf & Western Corp.*, the Second Circuit bluntly explained that "[e]vidence of conscious imitation is pertinent because the law presumes that an intended similarity is likely to cause confusion." 644 F.2d 946, 949 (2nd Cir. 1981). *See also, Oral-B Laboratories, Inc. v. Mi-Lor Corp.*, 810 F.2d 20, 23 (2nd Cir. 1987). Elsewhere, the Second Circuit observed that a "defendant's conscious imitation also supports at least a presumption that the similarity will cause consumer confusion." *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2nd Cir. 1979). In yet another case, the Second Circuit acknowledged that "[i]ntentional copying gives rise to a presumption of a likelihood of confusion" and reasoned that a

> second comer has a duty to so name and dress his product so as to avoid all likelihood of consumers confusing it with the product of the first comer.

Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 258-59 (2nd Cir. 1987) (internal quotations and citations omitted). While these cases presume a likelihood of confusion from the mere copying of trade dress, these Second Circuit cases go even further than the Fourth Circuit by placing an affirmative duty upon a second comer to avoid all likelihood of confusion, not merely to abstain from copying.

Petitioner established for purposes of summary judgment that it possesses trade dress rights in the design of the Kid Carrier by showing that the design is inherently distinctive. A21-22. Petitioner further established for purposes of summary judgment that Respondent intentionally copied that inherently distinctive design. A35-36. However, the Northern District refused to presume a likelihood of confusion. *See*, A33-35 (explaining role of bad faith in its likelihood of confusion analysis). In the Fourth Circuit and under most Second Circuit precedents, these showings, without the additional showing of bad faith, would result in a presumption of a likelihood of confusion between Petitioner's inherently distinctive trade dress and Respondent's copy of that trade dress. Because the Northern District and the Second Circuit declined to apply this presumption, the summary dismissal of Petitioner's claims would not have been appropriate under Fourth Circuit and prior Second Circuit law.

2. The bad faith intentional copying of a senior user's trade dress leads to a presumption of a likelihood of confusion in the Fifth, Sixth, Ninth, and Eleventh Circuits.

Bad faith intentional copying of trade dress leads to a presumption of a likelihood of confusion in the Fifth, Sixth, Ninth, and Eleventh Circuits. In these circuits, a plaintiff must first establish that it possesses trade dress rights. To benefit from a presumption of a likelihood of confusion, the plaintiff must then show that the defendant copied that trade dress in bad faith. In this context, "bad faith" takes different meanings in different circuits, but essentially means that the defendant intended to

profit by confusing consumers. These circuits acknowledge that direct evidence of bad faith will seldom exist, and therefore accept indirect evidence of bad faith.

The Fifth Circuit has stressed the importance of a factual finding that a defendant intended to pass off its goods as another's in evaluating the likelihood of confusion. *Sno-Wizard Mfg. v. Eisemann Products Co.*, 791 F.2d 423, 428 (5th Cir. 1986). Indeed, the Fifth Circuit has noted that "if the mark was adopted with the intent of deriving benefit from the reputation of the plaintiff, that fact alone may be sufficient to justify the inference that there is confusing similarity." *Id.* (quoting *Chevron Chemical Co. v. Voluntary Purchasing Groups*, 659 F.2d 695, 704 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982)). The Fifth Circuit therefore allows the presumption of a likelihood of confusion based solely upon a finding that the defendant adopted its trade dress with the intent to benefit from the plaintiff's reputation.

In *Esercizio v. Roberts*, the Sixth Circuit noted that when trade dress is adopted with the intent of deriving a benefit from the reputation of the senior user, "*that fact alone may be sufficient to justify an inference that there is a confusing similarity.*" 944 F.2d 1235, 1242 (6th Cir. 1991) (quoting *Frisch's Restaurants, Inc. v. Elby's Big Boy*, 670 F.2d 642, 648 (6th Cir.), *cert. denied*, 459 U.S. 916 (1982) (emphasis in original)). The Sixth Circuit noted that this presumption is particularly appropriate "where the defendant sold a comparatively cheap imitation of an expensive, exclusive item." *Id.* at 1213. The Sixth Circuit approach therefore appears to be particularly critical of "knock-offs" of the type presented in this case.

The Ninth Circuit likewise presumes a likelihood of confusion when a trade dress defendant intentionally copied a senior user's trade dress. As the Ninth Circuit explained in *First Brands Corp. v. Fred Meyer, Inc.*,

> intent of a defendant in adopting his trade dress is a critical factor, since if the trade dress were adopted with the intent of deriving benefit from the reputation of the plaintiff, that fact alone may be sufficient to justify the inference that there is a confusing similarity.

809 F.2d 1378, 1385 (9th Cir. 1987). The Ninth Circuit's approach seems closely analogous to the Fifth Circuit's approach.

The Eleventh Circuit presumes a likelihood of confusion when a junior user copies a senior user's trade dress to derive a benefit from the reputation of the senior user's product. *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1542 (11th Cir. 1986). As the Eleventh Circuit explained in affirming the district court,

> a finding that [the defendant] adopted the trade dress with the intent of deriving benefit from the reputation of [plaintiff's product] may alone be enough to justify the inference that there is confusing similarity.

Id. The Eleventh Circuit's approach varies from the other Circuits described above, in that the Defendant's intent to derive a benefit from the reputation of plaintiff's *product*, not the reputation of the plaintiff itself, results in the presumption of a likelihood of confusion. The Eleventh Circuit approach may diverge from those of the other

circuits when a particular product has enjoyed commercial success, but the manufacturer of that product is largely unknown to consumers.

The Restatement (Third) of Unfair Competition advocates the general approach[1] of the Fifth, Sixth, Ninth and Eleventh Circuits, stating that a

> likelihood of confusion may be inferred from proof that the actor used a designation resembling another's trademark, trade name, collective mark, or certification mark with the intent to cause confusion or to deceive.

Restatement (Third) of Unfair Competition, § 22(1).

Petitioner established its trade dress rights by showing that the design of the Kid Carrier is inherently distinctive. A21-22. Petitioner established that Respondents intentionally copied Petitioner's design. A35-36. Petitioner further established that Respondent acted in bad faith when it copied Petitioner's design. A36-37. Petitioner therefore would have been entitled to a presumption of a likelihood of confusion in the Fifth, Sixth, Ninth, and Eleventh Circuits. The Northern District explicitly found, for purposes of summary judgment, both intentional copying of Petitioner's inherently distinctive product design and bad faith on the part of Respondents, yet both the Northern District and the Second Circuit refused

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[1] The leading commentators on law and economics have concluded that a likelihood of confusion should be established when a defendant adapted its mark or dress with the intent to deceive consumers, even if only careless consumers will be deceived. William Landes and Richard Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & Econ. 265, 304 (1987).

to presume a likelihood of confusion. A33-35 (Northern District); A6 (Second Circuit) (noting bad faith in affirming dismissal). In the Fifth, Sixth, Ninth, and Eleventh Circuits the refusal to presume a likelihood of confusion would have been error.

3. In the Third and Seventh Circuits, and some Second Circuit case law, the bad faith intentional copying of a senior user's trade dress does not lead to a presumption that a likelihood of confusion exists.

The Third and Seventh Circuits, and some Second Circuit cases,[2] do not presume a likelihood of confusion based upon a defendant's bad faith copying of trade dress. Instead, these Circuits treat the bad faith intentional copying of a plaintiff's trade dress as merely one of many factors to consider in evaluating a trade dress infringement claim. The Third and Seventh Circuits have been criticized, because "a rule recognizing 'intent' as a mere factor – whether an intent to copy or an intent to confuse – is truly the worst of the possible rules." Finch, *supra*, at 1262.

The Third Circuit places extraordinarily high hurdles in the path of a victim of bad faith intentional copying of trade dress. Not only does the Third Circuit treat bad faith intentional copying as only one of many factors, but it further requires a high evidentiary standard before that factor may weigh in favor of finding a likelihood of confusion. The Third Circuit has held that

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[2] *See, e.g., Fun-Damental Too, Ltd. v. Gemmy Industries Corp.*, 111 F.3d 993 (2nd Cir. 1997).

> in the product configuration context, a defendant's intent weighs in favor of a finding of a likelihood of confusion only if intent to confuse or deceive is demonstrated by clear and convincing evidence, and only where the product's labeling and marketing are also affirmatively misleading.

Versa Products Co. v. Bifold Co., 50 F.3d 189, 208 (3rd Cir.), *cert. denied*, 516 U.S. 808 (1995). In addition to the high evidentiary standard, the required showing is very specific. An intent to derive a benefit from the plaintiff's reputation is not sufficient. Instead, the defendant must be shown (by clear and convincing evidence) to have intended to confuse or deceive consumers *and* to have affirmatively engaged in misleading labeling and marketing. Such a high evidentiary requirement and narrow limitation of the type of intent relevant to evaluation results in consideration of the defendant's intent being unlikely in any product design trade dress infringement case.

Additionally, the Third Circuit distinguishes between product configuration trade dress, other types of trade dress, and trademarks in applying its specific and high evidentiary standard. *Id.* at 205-08 (discussing perceived differences of different types of trade identifiers). The logic of the *Versa Products* decision has been criticized as "a death knell for trade dress protection of product configurations." William E. Levin, *Trade Dress Protection*, page 7-7 (West Group 1996).

While the Seventh Circuit treats the intentional bad faith copying of trade dress as merely a factor in an infringement analysis, it does not require the high evidentiary standard of the Third Circuit. The Seventh Circuit allows bad faith copying to receive more weight in

analyzing the likelihood of confusion than other factors, but does "not believe that the application of a *presumption* is a permissible or appropriate equivalent to weighing one factor more than another." *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1184 (7th Cir. 1989) (emphasis in the original).

4. The precedents of this Court appear to support the proposition that the intentional copying of an inherently distinctive trade dress leads to a presumption of a likelihood of confusion.

Petitioner respectfully notes that the precedents of this Court appear to support the standard that a likelihood of confusion may be presumed from the intentional copying or bad faith copying of a senior user's trade dress. In *Two Pesos, Inc. v. Taco Cabana, Inc.*, this Court observed that

> the copier of [an unregistered inherently distinctive mark] may be seen as falsely claiming that his products may for some reason be thought of as originating from the plaintiff.

505 U.S. 763, 772 (1992). Elsewhere in *Two Pesos*, the Court noted that § 43(a) of the Lanham Act provides no basis for treating trade dress and trademarks differently. *Id.* at 773. *Two Pesos* thus strongly suggests that the copying of trade dress leads to the presumption that the defendant has created a likelihood of confusion as to the source of its products and plaintiff's products. This contradicts the standard applied by the Northern District of New York and the Second Circuit below, as well as the law of the Third and Seventh Circuits.

B. The purpose of the Lanham Act is best served by presuming a likelihood of confusion from the intentional copying of a senior user's trade dress.

The Lanham Act was intended to protect consumers from deception and to encourage firms to maintain high quality. *See, e.g., Two Pesos*, 505 U.S. at 774. The Lanham Act accomplishes these ends by securing rights to trade identifiers such as trademarks, service marks, and trade dress to the producer or sponsor of the goods or services with which the identifiers are associated. *See, id.* This allows consumers to rely upon trade identifiers, such as trade dress, in making purchases. *See*, Landes and Posner, *supra*, at 269. Trade dress rights encourage firms to maintain a high quality of goods or services, so that consumers will positively associate that trade dress with high quality and seek out the firm's goods and services. *See, id.* at 270. Thus, the Lanham Act benefits consumers by enhancing the quality of goods and services available and by providing convenient and efficient mechanisms whereby consumers can make purchasing decisions. *See, id.* at 269-70.

When a competitor copies a senior user's trade dress, the legal system established by the Lanham Act to benefit consumers ceases to function. When a late comer free rides on another's trade dress without the expenses of developing the trade dress or an associated reputation, the senior user loses its investment in its trade dress and its reputation. *See, id.* at 270. The consumer loses the ability to rely upon trade dress to efficiently make purchasing decisions. *See, id.* Ultimately, firms lose the incentive to maintain the quality of their goods and services,

because they cannot effectively secure to themselves the reputational benefits of their consistent quality. *See, id.* These factors lead to the conclusion that the intentional bad faith copying of another's trade identifier should be prohibited. *Id.* at 284.

At least one commentator has suggested that there may be legitimate reasons for a junior user to copy a senior user's trade dress. Finch, *supra*, at 1255. However, even that commentator supports presuming that a likelihood of confusion exists when the second user copies in bad faith. *Id.* at 1258. While there may be legitimate reasons for copying a competitor's product, the burden of establishing this should be on the defendant. When the evidence supports a finding of bad faith intentional copying (as the Northern District found in this case), a presumption of a likelihood of confusion should exist.

II. Does the inferior nature of a trade dress defendant's product weigh in favor of allowing the defendant to use the plaintiff's trade dress?

The Northern District of New York found that Respondent's carrier is of inferior quality to Petitioner's Kid Carrier.[3] A37. The Northern District relied upon the

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[3] In resolving this factual issue, the Northern District briefly noted that the quality factor was to receive little weight unless it would be "marked" by consumers. A37. This rule results in the lesser quality of a defendant's product essentially being incapable of weighing in favor of a likelihood of confusion. If consumers "mark" a quality difference, then the likelihood of confusion diminishes. If, on the other hand, consumers do not "mark" a quality difference then this factor

inferior quality of Respondent's carrier in concluding that there exists no likelihood of confusion. A37 (Northern District). The Second Circuit affirmed the Northern District. A2. This reasoning directly contradicts the congressional purpose in adopting the Lanham Act to foster competition and maintain quality "by securing to the producer the benefits of a good reputation." *Two Pesos*, 505 U.S. at 774 (citing *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985)). This Court elsewhere noted that trademark (and by necessary implication trade dress) law

> helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation related rewards associated with a desirable product. The law thereby encourages the production of quality products, and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale.

Qualitex Co. v. Jacobson Products Co., 514 U.S. 159, 164 (1995) (internal quotations and citations omitted).

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receives little or no weight for the plaintiff. This catch-22 poses particular problems for plaintiffs such as Petitioner, where the defendant copies the plaintiff's trade dress in creating an inferior product, the inferior nature of which will likely not be "marked" by consumers until after the purchase is made. In this context, the apparent similarities in trade dress and quality to an untrained consumer maximizes confusion, while the disparity in quality maximizes the harm to the plaintiff. This context also maximizes the potential harm to consumers and, in this case, the possible physical injury to children.

Other courts and commentators have stressed the importance of trade identifiers in assuring the uniform quality[4] of a particular line of goods. *E.g.*, J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 3:10 (Clark Boardman and Callaghan 1997). As the First Circuit has noted,

> [f]ew harms are more corrosive in the marketplace than the inability to control the quality of bogus articles thought (erroneously) to derive from it.

Hypertherm, Inc. v. Precision Products, Inc., 832 F.2d 697, 700 (1st Cir. 1987).

Petitioner respectfully requests that this Court should grant certiorari to correct the mistaken proposition that the lower the quality of a knock-off, the less power the senior user has to stop the piracy of its trade dress.

III. Should the absence of admissible evidence of actual consumer confusion support the dismissal of a trade dress infringement claim on summary judgment on the basis that no likelihood of confusion can be established?

The Northern District and the Second Circuit accepted the absence of admissible evidence of actual confusion as evidence that no likelihood of confusion

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[4] A leading commentator has noted that trademarks and trade dress serves the important purpose of giving firms an incentive to improve the quality of their products, and that without an exclusive right a firm producing lower quality product might attempt to free ride using a competitor's trade identifier. Landes and Posner, *supra*, at 280.

exists and summarily dismissed Petitioner's trade dress infringement claim. A33 (Northern District); A6 (Second Circuit). This dismissal disserves the purposes of the Lanham Act and makes the enforcement of trade dress rights more difficult.

The courts uniformly agree that evidence of actual confusion is not required to make out a claim for trade dress infringement. *E.g., Daddy's Junky Music v. Big Daddy's Family Music*, 109 F.3d 275, 284 (6th Cir. 1997). Courts do not require evidence of actual confusion because such evidence is typically difficult to locate. *E.g., id.* While evidence of actual confusion often serves as the best evidence of a likelihood of confusion, the mere absence of such evidence rarely diminishes the likelihood of confusion. *Id.* When unique circumstances indicate that instances of actual confusion would have occurred if there is a likelihood of confusion, courts sometimes accept the absence of evidence of actual confusion as indicating a lack of a likelihood of confusion. *Id.* The courts should be cautious in applying such reasoning. The courts below applied this reasoning at the summary judgment stage[5] of the proceedings under circumstances

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[5] Taking the lack of evidence of actual confusion as establishing the lack of a likelihood of confusion at the summary judgment stage presents particular problems. First, trade dress plaintiffs have been clearly told that evidence of actual confusion is not necessary to their claims. To then hold the failure to produce such unnecessary evidence against them, without the benefit of trial, deprives plaintiffs such as Petitioner of their right to present their case. Second, this case illustrates the unfairness of dismissing a trade dress infringement claim based upon the absence of *admissible* evidence of actual confusion. In the Northern District, Petitioner presented

which made evidence of actual confusion particularly unlikely to be available.

In a case like this, instances of actual confusion are particularly difficult to establish. Consumers who mistakenly purchase Respondents' carriers thinking them to be Petitioner's may not have any further interaction with either party. Even in returning a defective product purchased from Respondents, a consumer will likely return the product to the place the product was purchased – but then avoid Petitioner's products in the future. Future consumers observing Petitioner's satisfied customers using the Kid Carrier may intend to purchase a Kid Carrier themselves, but instead purchase one of Respondents' products, not knowing that the source of the observed high quality product is not the same as the source of the product actually purchased. Likewise, a future consumer observing difficulties encountered with Respondents' products might avoid Petitioner's Kid Carrier all together. In each instance actual confusion has occurred. In each instance the consumer and Petitioner have been harmed by Respondents' copying of Petitioner's trade dress. Yet, in each instance no evidence of that confusion will be available.[6]

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evidence of actual confusion only to have the court reject that evidence. Even if the Northern District's evidentiary ruling was correct, it allowed Petitioner no chance to rectify the perceived deficiencies with its evidence.

[6] These examples also reveal the fallacy of the proposition advanced by Respondents and accepted below that the labels on Petitioner's and Respondents' products serve to prevent a likelihood of confusion. Future consumers observing another using a product, whether they receive a favorable or

IV. The conflict between the circuits and the public interest support the grant of certiorari in this case.

The well developed conflict between the circuits and the public interests implicated in this case merit the grant of certiorari in this case. Almost every circuit has taken a position as to what, if any, presumption arises from the intentional copying of a competitor's trade dress, and these positions conflict.

The Fourth Circuit and some Second Circuit cases find a presumption of a likelihood of confusion flowing from the intentional copying of a competitor's trade dress. The majority of the circuits take a more restrained approach, and presume a likelihood of confusion when a defendant copies a competitor's trade dress with the intent to derive a benefit from the plaintiff's reputation or to confuse consumers. The Seventh Circuit and some Second Circuit cases do not presume a likelihood of confusion from a defendant's bad faith copying of a plaintiff's trade dress, but instead treat the bad faith copying as a mere factor in the likelihood of confusion analysis. The Third Circuit takes the extreme position that, in the context of product configuration trade dress, the bad faith copying of a competitor's trade dress is a mere factor that must be shown by clear and convincing evidence and is only relevant when coupled with other affirmatively misleading acts by the defendant. Because of the differences between the circuits, geography can determine the outcome of a trade dress infringement

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unfavorable impression of that product, likely will not recall the label on the product they observed when they are ready to purchase (or avoid) the same product.

lawsuit. This situation prevents the consistent application of the Lanham Act and encourages forum shopping.

The public interest strongly supports the resolution of the questions presented in this case by the Court. Consumers rely upon trade dress to identify the source of goods and services. *E.g., Qualitex*, 514 U.S. at 164. Consumers expect a uniform quality from goods displaying a uniform or similar trade dress. *E.g.*, McCarthy on Trademarks, § 3:10. Uncertainty as to the lengths a competitor may go in imitating a senior user's trade dress undermines the consuming public's ability to rely upon trade dress in selecting goods and services.

Other public interests also support the grant of certiorari in this case. This Court has grappled with the difficult competing interests of consumers to rely upon trade identifiers to determine the source of a product and of preventing one competitor from gaining a monopoly in an unpatented functional aspect of a product configuration. *See, Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964). Many years have lapsed since this Court last addressed the considerations that bear upon a junior user's copying of a competitor's product configuration. This Court has never addressed the issue of what presumptions arise from the intentional copying of a senior user's trade dress, the impact of the inferior nature of a trade dress defendant's products upon the likelihood of confusion analysis, or the propriety of taking the absence of evidence of actual confusion as indicating a lack of a likelihood of confusion.

The question as to when, if ever, the lack of evidence of actual confusion may support a finding that a likelihood of confusion exists also has a vital impact upon the enforcement of trademark and trade dress rights nationwide. The impact of the inferior nature of a junior user's product upon the likelihood of confusion analysis goes to the heart of the Lanham Act's purpose of protecting consumers from deception and encouraging the production of high quality goods.

This case presents a clear view of these important issues. Because the Northern District found that the Petitioner's product design constitutes inherently distinctive trade dress, A21-22, there are no issues regarding secondary meaning or Petitioner's possession of rights to the trade dress. Issues of functionality are not presented, as the courts below ruled on likelihood of confusion grounds, not on the grounds of functionality.[7] The Northern District explicitly found that Respondents copied Petitioner's product design, A35-36, that Respondents acted in bad faith, A36-37, that the visual impression created by Respondents' product configuration is strikingly similar to Petitioners, A29, that Respondents' product is inferior to Petitioner's product, A37, and that there was no admissible evidence of actual confusion,

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[7] While the Northern District expressed a possible concern over functionality, it correctly determined that functionality is an affirmative defense and that, despite some suggestions to the contrary, functionality and distinctiveness are to be addressed separately. A22, n.2. The Northern District then dismissed Petitioner's infringement claim based upon the asserted failure to establish a likelihood of confusion, not based upon the affirmative defense of functionality.

A33. This combination of factual findings and issues addressed by the courts below present a clear, unobstructed view of the questions presented.

For the above stated reasons, Petitioner respectfully requests that the Court grant a writ of certiorari to the United States Court of Appeals for the Second Circuit.

Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

SUMMARY ORDER

(Filed Oct. 21, 1998)

Present: HONORABLE RALPH K. WINTER,
Chief Judge,
HONORABLE MICHAEL B. MUKASEY,*
HONORABLE JANE A. RESTANI,**
*Judges.****

TOUGH TRAVELER, LTD.,

Plaintiff-Appellant,

- v. - No. 98-7002

OUTBOUND PRODUCTS, TAYMOR INDUSTRIES, LTD., and TAYMOR INDUSTRIES, U.S.A.,

Defendants-Appellees.

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* The Honorable Michael B. Mukasey, of the United States District Court for the Southern District of New York, sitting by designation.

** The Honorable Jane A. Restani, of the United States Court of International Trade, sitting by designation.

*** Pursuant to 28 U.S.C. § 46(b) and an order of the Chief Judge of this Court certifying a judicial emergency, this case was heard by a panel consisting of the Chief Judge, one judge of the United States District Court sitting by designation, and one judge of the United States Court of International Trade sitting by designation.

Appearing for Appellant: Richard E. Honen, Honen & Wood, Albany, New York.

Appearing for Appellees: Barry G. Magidoff, Thelen, Reid & Priest, New York, New York.

Appeal from the United States District Court for the Northern District of New York (Kahn, *Judge*).

UPON DUE CONSIDERATION, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the judgment of the District Court is hereby AFFIRMED.

Tough Traveler, Ltd. appeals from Judge Kahn's grant of summary judgment dismissing its complaint alleging violations of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and unfair competition under New York law. Tough Traveler contends that the district court improperly analyzed several of the *Polaroid* factors in finding that there was not a likelihood of confusion between the child carriers produced by Tough Traveler and those produced by appellees ("Outbound").

In order to prevail in an action under Section 43(a) of the Lanham Act, a plaintiff must prove that its trade dress is distinctive and that a likelihood of confusion exists between its trade dress and the defendant's. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992); *Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 31 (2d Cir. 1995). The district court found, after examining the non-exclusive list of factors set forth by Judge Friendly in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 494 (2d Cir. 1961), that the defendant was entitled to summary judgment because there was no evidence that

consumers were likely to be confused between the two products.

In the district court's examination of the *Polaroid* factors, it found, after viewing the evidence in the light most favorable to Tough Traveler, that (i) appellant's trade dress was weak, (ii) the possibility of confusion was not high because of prominent labels on the products, (iii) there was no admissible evidence of actual confusion by consumers, (iv) there was evidence of bad faith, (v) the defendant's product was inferior but this factor did not weigh heavily for either party, and (vi) consumers of the product were sophisticated. We review the grant of summary judgment *de novo*.

Appellant argues first that the district court could not find as a matter of law that Tough Traveler's trade dress was weak. Trade dress strength "is measured by its distinctiveness or the degree to which it indicates the source or origin of the product." *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1044 (2d Cir. 1992). Appellant's primary contention in this regard focuses on the district court's analysis of Tough Traveler's arrangement with L.L. Bean. For a number of years, L.L. Bean sold the Tough Traveler child carrier with an L.L. Bean label affixed to it. A purchaser of the L.L. Bean child carrier would, however, receive Tough Traveler product information. Relying upon *EFS Marking, Inc. v. Russ Berrie & Co.*, 76 F.3d 487 (2d Cir. 1996), the district court found that the arrangement with L.L. Bean resulted in a loss of exclusivity from 1985 until 1991, thereby weakening the distinctiveness of appellant's trade dress. However, *EFS* dealt with a similar product already on the market produced by a third party, *see id.* at 490, not an arrangement

analogous to the one at issue here, which, appellant argues, does not result in a loss of exclusivity.

However, even if the district court were wrong regarding the effect of appellant's arrangement with L.L. Bean – an issue that we do not decide – this was hardly the sole basis for the district court's finding that the trade dress was weak. Appellant, who bears the burden of proof on this issue, provided little, if any, evidence that consumers recognized the child carrier as a Tough Traveler product based on its trade dress. Many of the news stories and reviews submitted by appellant do not describe the child carrier, and virtually all of the advertisements contain obscured views, basic drawings, or no picture at all. Based on the evidence submitted, the conclusion that appellant's trade dress was weak seems incontrovertible.

Appellant next contends that the district court erroneously found little similarity of trade dress between the two products, based primarily on the labels affixed to each product. We have noted that the "presence and prominence of markings tending to dispel confusion as to the origin, sponsorship or approval of the goods in question is highly relevant to an inquiry concerning the similarity of the two dresses." *Bristol-Myers Squibb*, 973 F.2d at 1046; *see also Bose Corp. v. Linear Design Labs*, 467 F.2d 304, 310 (2d Cir. 1972) ("[T]here is hardly likelihood of confusion or palming off when the name of the manufacturer is clearly displayed.").

Appellant argues, however, that the district court was incorrect in stating all of the appellees' child carriers contained an "Outbound" label. In this regard, appellant

relies, not on physical exhibits, but on two photographs, one in Outbound's catalog and another in a trade publication. However, neither photograph undermines the district court's conclusion. Turning first to the catalog photograph, we note that appellant's complaint alleges that it was Model 27-750 that was the source of the infringement, not Model 27-745, the one depicted in the catalog. We further note that it is undisputed that Model 27-745 was not sold in the United States. *Cf. Atlantic Richfield Co. v. Arco Globus Int'l Co.*, 150 F.3d 189, 192 (2d Cir. 1998) (extraterritorial conduct that does not have substantial effect on U.S. Commerce not regulated by Lanham Act). Moreover, the photograph is in a clearly designated Outbound catalog. While there is no label on the product in the picture, the catalog itself performs the labeling function. As even appellant concedes, the consumers of this product are sophisticated and, as such, will recognize that an item in an Outbound catalog is an Outbound product.

The picture in the November/December 1991 issue of *Sports Business* also provides no support to appellant. Although Outbound claims that the photograph is of Model 27-745, there is some evidence indicating that the photograph is of Model 27-750. Even though we must assume that the picture is of the 27-750 in reviewing a grant of summary judgment, additional information in the magazine serves as a label. In particular, the advertisement states that to purchase the child carrier, a consumer is to "[c]ontact Outbound Products." Once again, the manufacturer of the product is clearly marked. *See Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373,

382 (2d Cir. 1997) (rejecting finding of likelihood of confusion based partially on manufacturer's clear identification in industry catalogs). Tough Traveler has thus proffered no evidence of a Model 27-750 without a label or clarifying advertising.

Finally, appellant contends that the district court misanalyzed the effect of the L.L. Bean arrangement on two of the *Polaroid* factors: similarity of dress and sophistication of consumers. Appellant contends that the existence of Tough Traveler carriers marked with L.L. Bean labels could lead the consuming public to believe that other Tough Traveler products were being sold with the labels of distributors such as Outbound. However, there is absolutely no evidence of any such belief or conclusion by consumers, and such rank and implausible speculation cannot fill the void of actual evidence in opposing a motion for summary judgment.

We therefore find that summary judgment was properly granted for the appellees. In doing so, our *de novo* determination of whether summary judgment was properly granted does not rest exclusively on these factors or on a mechanical formula for analyzing them, *see id.* at 70. We believe that the undisputed sophistication of the consumers, the lack of evidence that any consumer has been confused, and the use of labels to identify the source of the products, would preclude a reasonable trier of fact from finding a likelihood of confusion between the products. In addition, the weakness of appellant's trade dress strengthens this conclusion even when taking into account the possible bad faith on the part of Outbound.

We also affirm the grant of summary judgment on the New York Unfair Competition claim. While the elements of a Lanham Act violation and a claim of unfair competition under New York law are not identical, *see Morex S.P.A. v. Design Inst. Am., Inc.* 779 F.2d 799, 801 (2d Cir. 1985), appellant must show, in addition to bad faith, "actual confusion in an action for damages or a likelihood of confusion for equitable relief." *Jeffrey Milstein*, 58 F.3d at 35. As noted above, Tough Traveler has not met that burden.

We therefore affirm.

FOR THE COURT:
CAROLYN CLARK CAMPBELL,
Clerk

/s/ Lucille Carr — 10/21/98
By: — Date

* * * * * UNITED STATES DISTRICT COURT * * * * *

NORTHERN *DISTRICT OF* *NEW YORK*

JUDGMENT IN A CIVIL CASE

DOCKET NO. 94-CV-0449

TOUGH TRAVELER, LTD.,

Plaintiff,

v. (Filed Dec. 02, 1997)

OUTBOUND PRODUCTS, TAYMOR INDUSTRIES U.S.A., INC., and TAYMOR INDUSTRIES, LTD.,

Defendants.

_____ **JURY VERDICT.** This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

XX **DECISION by COURT.** This action came to trial or hearing before the Court. The issues have been tried and a decision has been rendered.

IT IS ORDERED AND ADJUDGED that in the above entitled action, the defendants' motion for summary judgment on all claims is **GRANTED**; and it is further **ORDERED** that the plaintiff's motion for summary judgment on the New York common law unfair competition claim is **DENIED**, in accordance with the **MEMORANDUM-DECISION AND ORDER** of the Honorable Lawrence E. Kahn, U.S. District Judge, dated December 1, 1997.

DATE: December 2, 1997

LAWRENCE K. BAERMAN
CLERK OF THE COURT

By: /s/ Susan D. Illegible
Deputy Clerk

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

TOUGH TRAVELER, LTD.,

Plaintiff,

-against-

94-CV-0449
(LEK/RWS)

OUTBOUND PRODUCTS, TAYMOR INDUSTRIES U.S.A., INC., and TAYMOR INDUSTRIES, LTD.,

Defendants.

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BARRY G. MAGIDOFF

LAWRENCE E. KAHN, DISTRICT JUDGE

MEMORANDUM-DECISION AND ORDER

(Filed Dec. 1, 1997)

I. Introduction

Plaintiff, Tough Traveler, Ltd., designs and manufactures child carriers – essentially a backpack-type apparatus for carrying children. On April 7, 1994, plaintiff filed a complaint, alleging claims for infringement of trade dress under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and unfair competition under New York common law. Specifically, plaintiff alleged that defendants Outbound Products, Taymor Industries U.S.A., Inc. and Taymor Industries, Ltd. (collectively "defendants") had copied plaintiff's product, the "Kid Carrier," "caus[ing] cheaper, inferior, and confusingly similar child carriers to be manufactured abroad . . . [and selling] the Outbound carriers in the United States in competition with Tough Traveler." *See Tough Traveler, Ltd. v. Outbound Products*, 60 F.3d 964, 966 (2d Cir. 1995). This Court (Cholakis, J.) granted plaintiff's motion for preliminary injunction, defendants appealed and the Second Circuit vacated the injunction, finding the presumption of irreparable injury in this case negated by the fact that plaintiff had waited at least nine months after discovering the competing product before filing a complaint, and had delayed another four months before moving for a preliminary injunction. *See id.* at 968.

Defendants now move for summary judgment on both plaintiff's trade dress infringement claim under § 43(a) of the Lanham Act and plaintiff's claim of unfair competition under New York law. Plaintiff has cross-moved for summary judgment on its unfair competition

claim. For the reasons that follow, defendants' motion is granted and plaintiff's motion is denied.

II. Background

Plaintiff Tough Traveler, a New York corporation, has been manufacturing and selling the Kid Carrier since 1985. The carrier is designed to be "capable of carrying a baby on a person's back during a long hike . . . while keeping both the baby and adult comfortable." Affidavit of Nancy Gold Establishing Secondary Meaning And/Or Distinctiveness of Plaintiff's Child Carrier ("Gold Aff.") at ¶ 4. The carrier is not protected by a patent or copyright.

Defendant Taymor Ltd. ("Taymor") is a Canadian corporation; Outbound Canada is a division of Taymor, and Taymor Industries U.S.A. is a wholly-owned subsidiary of Taymor. Taymor began selling child carriers in 1984; it does not actually manufacture the child carriers it sells. Zalkow Depo. 110-11, 61-62. Defendants' Outbound 27-750, also referred to as a "Toddler Tote," is the allegedly infringing child carrier. It was first sold in Canada in 1991, and was introduced into the United States in 1992 or 1993.

Plaintiff's complaint alleges that the Kid Carrier's design features are "clearly identified by the purchasing public as products of Tough Traveler," and claims that the design features are protected against infringement on trademark principles. Compl., ¶¶ 7, 14, 15. Plaintiff's complaint describes its design features as "including [the padded stripe, the diagonally oriented zipper, the side 'wings' with the straps bisecting them, the seat of the

carrier, the "toy loops", the frame including a design for a 'kickstand'], the silhouette, profile and size of the carrier, size and placement of the elements of the carrier, the canvas strap construction and color contrasts, the component layout and stitching pattern, the design, the configuration and placement of hardware, and other design aspects combin[ing] to give the Carrier an inherently and aesthetically distinctive, original and arbitrary appearance. . . . " Compl., ¶¶ 11, 12.

Defendants sent a Tough Traveler Kid Carrier to its manufacturer prior to the introduction of its "Toddler Tote" 27-750. Zalkow Dep. at 139. Plaintiff asserts that the Kid Carrier was sent to defendants' manufacturer to be duplicated (Zalkow Depo. 269, 272 and Pl.Exh. 1); defendants assert that the Kid Carrier was sent to the manufacturer as a sample of functional elements Taymor wanted incorporated into a new child carrier. Zalkow Depo. 139, 173-75.

Defendants point to differences between their carrier and plaintiff's carrier. Defendants' child carrier is teal-colored with a black padded stripe and the frame is painted black, while plaintiff's carrier frame is unpainted. Defendants have submitted evidence that more than ninety-five percent of plaintiff's Kid Carriers produced have been a royal blue color. Def. Exh. N. Defendants maintain that their carrier is similar to Plaintiff's only with respect to functional features, and that "arbitrary" features such as colors, logos and the product names are "completely different." Zalkow Decl. ¶ 17. Tough Traveler's label and logo (the words "Tough Traveler" appearing over a mountain range) is sewn to the exterior back portion of the Kid Carrier about two inches from the

bottom of the four-inch wide stripe. There is no evidence in the record that defendants have ever sold the 27-750 without the Outbound logo ("Outbound") sewn to the exterior back portion of its child carrier.

From 1985-1991, plaintiff allowed the retailer L.L. Bean to sell the Kid Carrier with the L.L. Bean label sewn to the exterior back portion of the carrier in place of the Tough Traveler label. The carriers sold by L.L. Bean were shipped with Tough Traveler hangtags attached, as well as a Tough Traveler product information book, but without the Tough Traveler label sewn anywhere on the carrier.

III. Discussion

A. Standard of Review

"Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). "When reviewing the evidence, the court must 'assess the record in the light most favorable to the nonmovant and . . . draw all reasonable inferences in its favor.' " *R.B. Ventures, Ltd. v. Shane*, 112 F.3d 54, 57 (2d Cir. 1997) (quoting *Delaware & Hudson Ry. Co. v. Consolidated Rail Corp.*, 902 F.2d 174, 177 (2d Cir. 1990), *cert. denied*, 500 U.S. 928 (1991)). In order to defeat the motion, the nonmoving party must demonstrate the existence of facts establishing that there are material issues of fact for trial. *Anderson v. Liberty Lobby*, 477 U.S. 242, 256 (1986).

B. Plaintiff's Lanham Act Claim

Section 43(a) of the Lanham Act provides protection of unregistered trademarks against any person who

> in connection with any goods . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person. . . .

15 U.S.C. § 1125(a); *Paddington Corp. v. Attiki Importers & Distribs.*, 996 F.2d 577, 582 (2d Cir. 1993). This protection extends to trade dress. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773, *reh. denied*, 505 U.S. 1244 (1992). Trade dress is " 'essentially [a product's] total image and overall appearance.' " *Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 31 (2d Cir. 1995) (citation omitted). The focus in such cases is whether the "entire look of the [allegedly infringing] product" is "likely to cause consumer confusion as to the source of the product." *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1042 (2d Cir. 1992).

Plaintiff seeks trade dress protection for the design and configuration of the Tough Traveler Kid Carrier. It is well established that trade dress may include "the design and appearance of the product as well as that of the container and all elements making up the total visual image by which the product is presented to customers."

Id. See also Fabrication Enterprises, Inc. v. Hygenic Corp., 64 F.3d 53, 57 (2d Cir. 1995).

To prevail in an action for trade dress infringement under Section 43(a), plaintiff must prove that its dress is distinctive of the source and that a likelihood of confusion exists between its product and defendants' product. *Knitwaves, Inc. v. Lollytogs, Ltd. (Inc.)*, 71 F.3d 996, 1006 (2d Cir. 1995). Distinctiveness may be established by showing that a trade dress is either (1) inherently distinctive or (2) that it had acquired distinctiveness through secondary meaning. *Two Pesos, Inc.*, 505 U.S. at 769. Once these elements are established, a defendant may yet prevail by showing that the alleged infringement is in respect of "functional" aspects of the product. *See Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76, 80-81 (2d Cir. 1990), *cert. denied*, 499 U.S. 976 (1991).

1. Inherent Distinctiveness

The standard test for whether a trade mark or trade dress is inherently distinctive is that developed in the context of word marks by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976). In *Abercrombie*, the court classified words into four categories: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. *Id.* Only those words falling into the latter two categories could be deemed inherently distinctive.

However, in *Knitwaves*, the Second Circuit declined to apply the *Abercrombie* test in so-called "product configuration" cases, where the trade dress consists of features

of the product itself. *Id.*, 71 F.3d at 1007. Reviewing whether the "squirrel" and "leaf" designs on plaintiff's sweaters were protectable trade dress, the court noted that application of the *Abercrombie* classes to product features made "little sense." *Id.* It found, referring to the statutory definition of trademark requiring that a person "use" or "inten[d] to use" the mark as a source identifier, 15 U.S.C. § 1127, that application of *Abercrombie* might result in protection of features "even though they were never intended to serve a source identifying function." *Id.* The court adopted, as its test, "whether [a product feature or design] 'is likely to serve primarily as a designator of origin of the product.' " *Id.* at 1008 (quoting *Duraco*, 40 F.3d at 1449). The court found that, "[a]s plaintiff's objective was primarily aesthetic, the designs were not primarily intended as source identification." *Id.*

Since that decision, several courts in the Second Circuit have applied the *Knitwaves* test in product configuration cases, and have uniformly found that the product design or feature did not serve "primarily" as a designator of origin. *See EFS Marketing, Inc. v. Russ Berrie & Co., Inc.*, 76 F.3d 487, 491 (2d Cir. 1996) (troll dolls); *Banff Ltd. v. Express, Inc.*, 921 F.Supp. 1065, 1070 (S.D.N.Y. 1995) (sweater designs); *New York Racing Assoc. v. Perlmutter Publishing, Inc.*, 959 F.Supp. 578, 581 (N.D.N.Y. 1997) (racing horse design on souvenir items).

However, *Knitwaves* was criticized in *Krueger Int'l Inc. v. Nightingale, Inc.*, 915 F.Supp. 595 (S.D.N.Y. 1996) on two grounds. First, the court found that the focus on "intent" imported the evidentiary requirements of secondary meaning, such as advertising and consumer surveys, into the analysis for inherent distinctiveness, thus making the

latter redundant. *Id.* at 602. Second, the court interpreted *Knitwaves* as creating a false dichotomy between intent to create a pleasing or functional design and intent to create a design which served as a source identifier. In reality, the court argued, a manufacturer will typically intend a design to be both pleasing and source identifying. *Id.* at 606.

The Second Circuit addressed these criticisms in its most recent decision dealing with trade dress protection for product design, *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373 (2d Cir. 1997). While reaffirming *Knitwaves*, the court nevertheless appeared to reinterpret the appropriate test to be merely "whether the design was likely to be understood as an indicator of the product's source," no longer requiring the design to serve "primarily" as an indicator. *Id.* at 378. The court found that "[i]f *Knitwaves* forced courts to decide whether a manufacturer's purpose was to create either something of beauty or something indicative of source, . . . the task would often prove impossible." *Id.* at 378 n.3. The court thus appears to have moved from the either-or approach of categorizing designs as aesthetic/functional or source-identifying, and instead focuses on the capacity of a design to be source identifying independently of how well it serves other purposes.

The court reviewed the three-factor test for inherent distinctiveness applied in *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A. 1977), and found that the factors applied in that case were not inconsistent with *Knitwaves*, but instead, might, "in different contexts, be useful tools to assess whether a design is 'likely to be perceived as a source indicator.' " *Landscape Forms, Inc.*,

113 F.3d at 378 n.3 (citation omitted). These three questions were "whether [the design] was a 'common' basic shape or design, whether it was unique or unusual in a particular field, [and] whether it was a mere refinement of a commonly adopted and well-known form of ornamentation for a particular class of goods." *Id.* However, the *Landscape* court looked as a general standard of inquiry to "whether the design, shape or combination of elements is so unique, unusual or unexpected in this market that one can assume without proof that it will automatically be perceived by customers as an indicator of origin. . . . " *Id.* (citing 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, §§ 8-13 (4th ed. 1996)).

Additionally, the court expressly found that "a manufacturer's subjective intentions *may be* probative of whether its dress is likely to indicate product source," but that "objective considerations of the product and its similarity to others on the market will always be relevant and often decisive." *Id.* (emphasis added). The court thus clarified that intent is neither a necessary nor, generally, a critical factor in the analysis. Rather, the objective capacity of the product configuration to indicate source within the relevant market is the court's principal concern.[1] Such

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[1] On the issue of intent, the Court considers the plaintiff's willingness to allow its product to be sold under the L.L. Bean label to argue strongly against a funding of intent that the design be a unique source indicator. Plaintiff notes that even these products sold through L.L. Bean carried with them hangtags indicating that plaintiff was the true source. However, consumers generally throw away such tags, while the more prominent labels are permanently attached. Hanging tags could

a capacity can only be found from a sufficiently high degree of uniqueness within the relevant market.

Although these clarifications appear to relax the *Knitwaves* test in several respects, the court in *Landscape Forms, Inc.* also emphasized that the Lanham Act "must be construed in the light of a strong federal policy in favor of vigorously competitive markets . . . ," *id.* at 379, and that this policy is strongly implicated when "product designs or configurations are claimed as trade dress. While trademarking a generic term would create a monopoly in a necessary word or phrase, granting trade dress protection to an ordinary product design would create a monopoly in the goods themselves." *Id.* at 380. A court should therefore review assertions of trade dress in product design with "caution." *Id.*

Plaintiff has provided some evidence of the state of the marketplace for child carriers, consisting of reviews and advertisements that display and describe various carriers available and several photos of competing carriers. See Gold Aff., Exh. E, Exh. K; Pl.Exh. 9; Gauss Affidavit and attached Exhibits. Taken together, the exhibits do suggest a distinctiveness in the Tough Traveler carrier configuration. Orientation of the zippers (from horizontal to an diagonal arc), the size and shape of the rear pouches, the presence and configuration of the stand (its roughly triangular shape as viewed from the

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not be expected to provide source identification to anyone viewing the product subsequent to purchase. However, as stated above, such a finding should not bar a finding of inherent distinctiveness where a product configuration is likely to serve as a source indicator on the basis of its actual distinctiveness.

rear) and the overall hinged-frame, the presence at the top of the carrier of "toy loops," the size and shape of the seat and the positioning of the straps all vary to a noticeable degree, and none of the carriers available in the evidence possess a particularly similar overall configuration of shape and features.

Considering the three *Seabrook* factors, it appears that many of these features by themselves would be "mere refinements" (e.g. two-toning, a zipper on a diagonal instead of curved or horizontal, the placement of loops on top instead of elsewhere); others appear to be common in the industry (many of the products viewed appear to include a carry pouch in roughly the same location at the lower rear exterior). However, the Second Circuit has noted that "[although each element of a trade dress individually might not be inherently distinctive, it is the combination of elements that should be the focus of the distinctiveness inquiry." *Jeffrey Milstein, Inc.*, 58 F.3d at 32. Here, the overall appearance of plaintiff's combination of features is sufficiently unique that a rational trier-of-fact could conclude that it will automatically serve as a source identifier.

Defendants offer several arguments for why plaintiff's product configuration cannot be inherently distinctive. First, they argue that plaintiff has provided no evidence that the design was intended to indicate that Tough Traveler was the source of the product. However, as is evident from the preceding analysis of *Landscape Forms, Inc.*, plaintiff needn't make a showing of intent to demonstrate inherent distinctiveness. Nor does it need to prove that the trade dress actually indicates plaintiff as the source, only that the trade dress is sufficiently unique

that customers viewing it for the first time will be likely to assume that any similar product seen in the future has come from the same source. *See Paddington,* 996 F.2d at 585 (distinctiveness is tendency to identify the goods sold as emanating from a particular, although possibly anonymous, source).

Defendants argue that advertisements and reviews emphasize the functional, not source-indicating, nature of the design, and that the willingness of plaintiff to have its product sold by L.L. Bean, with an L.L. Bean label instead of plaintiff's label, indicates that it was never plaintiff's "primary purpose" to have the design be a source indicator. Again, after *Landscape Forms, Inc.,* a court should not impose an artificial dichotomy between dress which is intended to be functional and dress which is source-identifying. Thus, evidence that the dress is functional does not demonstrate that it is not also distinctive.

Finally, defendants argue that the record does not provide any evidence that customers associate the design automatically with plaintiff. This argument would only be relevant to the issue of secondary meaning, which depends upon actual consumer perceptions rather than the uniqueness of the product. It is not relevant to inherent distinctiveness, which focuses on the objective uniqueness of the product design. From a consideration of the Kid Carrier's overall configuration of design elements, the Court finds that the evidence is sufficient to support a conclusion by a rational trier-of-fact that the

Tough Traveler Kid Carrier has an inherently distinctive trade dress.[2]

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[2] In an opinion by the Second Circuit issued at an earlier stage of this litigation, Judge Jacobs concurred in the court's decision to vacate a preliminary injunction on the grounds that plaintiff did not show a likelihood of success on the merits. *See Tough Traveler, Ltd.*, 60 F.3d at 969-71. He found that plaintiff's alleged trade dress consisted primarily of functional features, and that the arbitrary elements of the dress were not sufficient to receive protection for the whole dress, particularly where the most purely arbitrary feature, the content of the label, had not been duplicated. *Id.* at 971. Judge Jacobs was discussing not the determination of distinctiveness (part of plaintiff's prima facie case of trade dress infringement), but rather the defense of functionality.

The issue of functionality is of concern to this Court. Further, although distinctiveness and functionality are separate elements of trade dress infringement, there is some basis for importing a review of the functionality of plaintiff's alleged dress into a distinction analysis. See Hermenegildo A. Isidro, *The Abercrombie Classifications and Determining The Inherent Distinctiveness of Product Configuration Trade Dress*, 62 Brook.L.Rev. 811, 849, 850 (1996). The Court believes that the better course is to continue to treat these elements separately, as confusing them might implicitly shift the burden of proving functionality from defendant to plaintiff. In addition, the focus in distinctiveness is on the market as it exists, to determine which features have become common or expected. *See Landscape Forms, Inc.* at 378 n.3. ("court must ask whether combination of elements *is* so unique, unusual or unexpected in *this* market"). Functionality, on the other hand, can apply to disallow protection even of elements which have not yet become commonplace, if they would provide an important competitive advantage. The case of *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971 (2d Cir. 1987), cited by Judge Jacobs as demonstrating the limitations of Tough Traveler's, is not to the contrary. That case was discussing the defense of functionality, not the element of inherent distinctiveness.

2. Likelihood of Confusion

The core issue in a trade dress infringement claim is "whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused as to the source of the goods in question." *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979). To determine this issue, courts look to the eight non-exclusive factors described in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). *See Merriam-Webster, Inc., v. Random House. Inc.*, 35 F.3d 65, 70 (2d Cir. 1994), *cert. denied*, 513 U.S. 1190 (1995). These factors include (1) the strength of the prior owner's mark, (2) the degree of similarity between the two marks, (3) the proximity of the products, (4) the likelihood that the prior owner will bridge the gap, (5) evidence of actual confusion, (6) evidence of the junior user's bad faith, (7) the quality of the defendant's product, and (8) the sophistication of the relevant consumer. 281 F.2d at 492. Like the prongs of the *Seabrook* distinctiveness test, these factors are "merely tools designed to help grapple with the 'vexing' problem of resolving the likelihood of confusion issue." *Bristol-Myers Squibb Co.*, 973 F.2d at 1044 (2d Cir. 1992) (citation and internal quotations omitted). The ultimate question of whether there is a likelihood of confusion is decided by a careful weighing of these factors, not a mechanical evaluation: the party with the most factors does not necessarily win. *Paddington*, 996 F.2d at 584 (citation omitted).

On summary judgment, a court's task is " 'to determine whether any reasonable trier of fact could conclude

that confusion is likely.' " *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960 (2d Cir. 1996). In making this determination, the court must resolve all factual questions with regard to the individual Polaroid factors in the non-movant's favor. *See Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 478 (2d Cir. 1996) (district court improperly resolved factual questions regarding two factors against non-movant on summary judgment). However, after doubts as to the facts as resolved in the non-movant's favor, the weighing of the *Polaroid* factors and the final determination of likelihood of confusion is an issue of law appropriately decided on summary judgment. *See Cadbury Beverages, Inc.*, 73 F.3d at 478 (balancing of factors on summary judgment motion is legal issue reviewed de novo); *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 876 (2d Cir. 1986) (application of undisputed facts to the issue of likelihood of confusion is legal issue which is appropriate for district court to resolve on summary judgment). *See also Plus Products v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004-5 (2d Cir. 1983) (weighing of factors is issue of law); *Paddington, id.* at 584 (same); *Banff, Ltd. v. Federated Dept. Stores, Inc.*, 841 F.2d 486, 491 (2d Cir. 1988) (same). Therefore, on defendants' motion for summary judgment, the Court must resolve reasonable doubts regarding each factor in plaintiff's favor, before balancing the factors to determine whether there is a likelihood of confusion.

The "proximity" factor concerns whether and to what extent the two products compete with each other. *Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 480 (2d Cir. 1996). In the case of directly competing products, "proximity . . . in the marketplace . . . is necessarily answered in

favor of the senior user, and another factor, the likelihood of bridging the gap [between the products], is not a relevant inquiry." *Bristol-Myers Squibb Co.* at 1044.

1) Strength of the Dress

The strength of a dress is determined by its distinctiveness, which, as noted above, is "its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous, source." *Paddington,* 996 F.2d at 585. Plaintiff has not provided sufficient evidence to support a conclusion that its dress is strongly distinctive. Product configuration in general suffers a presumption, not present with other sorts of trade dress, that customers will not typically rely upon it as an indication of source. The court in *Knitwaves* observed that,

> [a]s a practical matter, . . . it is less common for consumers to recognize the design of a product or product feature [as opposed to packaging features] as an indication of source. Product designs are more likely to be seen merely as utilitarian or ornamental aspects of the goods.

Knitwaves, 71 F.3d at 1008 (quoting Restatement (Third) of Unfair Competition, s 16 cmt. b) (alterations in original). *See also Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.,* 111 F.3d 993, 1001 (2d Cir. 1997) (quoting same). Thus, plaintiff must overcome this factual presumption to demonstrate that its dress is strongly distinctive.

This conclusion is not at odds with the Court's finding that a reasonable person could conclude that the dress is distinctive. After *Landscape Forms,* distinctiveness

only requires that the plaintiff prove that one of the aspects of the trade dress is as a potential or actual source indicator, regardless of whether it might also serve aesthetic or functional purposes. To demonstrate a strong dress, however, a plaintiff must show that the "dress is such that it seems to the consumer *uniquely* intended to indicate a product's source. . . . " *Paddington Corp.*, 996 F.2d at 585. Product designs, particularly where, as here, most of the specific elements of the design serve some functional purpose, are highly unlikely to be viewed as purely for the purpose of source indication.

The negative presumption can be overcome in a case where a design is particularly distinctive. In *Kompan A.S. v. Park Structures, Inc.*, 890 F.Supp. 1167 (N.D.N.Y. 1995), the court found that the trade dress of playground equipment was strong where the dress was "very distinctive." *Id.* at 1175. However, the court had earlier concluded that "no other manufacturer combines even the generic design elements in ways similar to [the plaintiff.]" In this case, many of the individual design elements are configured in similar ways in other carriers; it is the overall configuration which is unique. The Kid Carrier's trade dress cannot be considered "very" distinctive on the basis of its inherent qualities.

A court may also consider the presence of secondary meaning in evaluating the strength of the trade dress. *Paddington*, 996 F.2d at 585 (citation omitted). Evidence of secondary meaning may include "advertising expenditures, consumer studies linking the mark to the source, sales success, unsolicited media coverage of the product, attempts to plagiarize the mark, and length and exclusivity of the mark's use." *Thompson Medical Co., Inc. v.*

Pfizer Inc., 753 F.2d 208, 217 (2d Cir. 1985) (citations omitted).

Plaintiff's evidence, although voluminous, does not provide a basis for finding that its mark is strongly indicative of the source. First, plaintiff has provided no consumer studies to demonstrate directly the state of the consumer's view. With regard to the advertisements and "unsolicited material" plaintiff presents, the Court notes initially that secondary meaning must be shown as of the date the defendants entered the market. *See Saratoga Vichy Spring Co., Inc., v. Lehman*, 625 F.2d 1037, 1043 (2d Cir. 1980). Thus, materials that were published after 1993 cannot be offered in support of a claim of secondary meaning. A review of the record finds that much of the unsolicited material offered by plaintiff came after 1993 and must be excluded from consideration. *See* Pl.Exh. 6.

The remaining material plaintiff has brought to this Court's attention is not evidence of strong recognition. Many of the news stories and reviews do not display the Kid Carrier or describe the design elements in which Tough Traveler claims trade dress protection. Of those materials that do display the carrier, most provide only an obscured view of it from which little of the trade dress can be made out.

In addition, the element of "exclusivity" is critical to any finding of secondary meaning, since the plaintiff must demonstrate that consumers identify the dress with a *single* source. *See EFS Marking* [sic], *Inc., v. Russ Berrie & Co.*, 76 F.3d 487, 490 (2d Cir. 1996). In this case, there was an absence of "exclusivity" between 1985 and 1991, the period during which L.L. Bean sold the Kid Carrier with

the L.L. Bean label affixed to the back exterior of the pack, in place of plaintiff's own trademark. The Court notes that two of the product reviews offered by plaintiff advertise the L.L. Bean model without reference to plaintiff. *See* Pl.Exh. 8. An additional product review displays what appears to be the L.L. Bean licensed carrier, again without discussion of its origins as a Tough Traveler product, although another Tough Traveler carrier is discussed in the same article. *See* Zalkow Decl.Exh. E. In light of the absence of exclusivity during a period of less than two years prior to defendants' entry into the market and the lack of any direct evidence to the contrary, there is no reasonable basis for finding that plaintiff's dress is a strong source indicator because of secondary meaning. Plaintiff has therefore failed as a matter of law to overcome the presumption that its dress is weak.

2) Similarity of dress

The issue to be considered in this factor is "whether the similarity between the two trade dresses will contribute to consumer confusion." *Bristol-Myers*, 973 F.2d at 1046. The analysis of similarity does not focus on similarity between particular elements of the plaintiff's and defendants' dress, but on whether the products create the "same overall impression." *Banff, Ltd. v. Federated Dept. Stores, Inc.*, 841 F.2d 486, 492 (2d Cir. 1988) (citation and internal quotations omitted). *See also LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 79 (2d. Cir. 1985) (it is the "combination of features as a whole . . . which must determine whether the competing product is likely to cause confusion. . . . " (citation and internal quotes omitted)).

Notwithstanding the differences in the color of the frame, and other differences indicated by the defendants (some of which are a matter of dispute), the photographs clearly demonstrate that the two carriers bear a very striking visual similarity in their overall appearance. However, the tendency of the similarity to confuse must be assessed in light of the presence of labels placed on the rear of the products bearing the trademarks of the respective companies.

The court in *Bristol-Myers* held that "[t]he presence and prominence of markings tending to dispel confusion as to the origin . . . of the goods in question is highly relevant to an inquiry concerning the similarity of the two dresses. When prominently displayed, it can go far towards eliminating any possible confusion." *Id.* at 1046. However, "[t]he appearance of the junior user's name does not in all cases eliminate the possibility of consumer confusion." *Id.* In particular, the prominence of the label as a feature of the product is relevant to the determination. *Id.*

Plaintiff correctly notes that the carrier labels are not as prominent as were the labels in the *Bristol-Myers.* However, a label does not need to be the dominant feature to affect the likelihood of confusion. The court in *Landscape Forms, Inc.* found that labels placed on outdoor furniture such as benches contributed to making confusion less probable. 113 F.3d at 193. Similarly, labels placed on the lower corner of stereo speaker equipment were found to "go[ ] far to eliminate confusion of origin." *See Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 309 (1972).

Courts have found such markings inadequate in certain specific circumstances: where arbitrary elements of packaging or elements of a trademark have also been duplicated, *see LeSportsac, Inc.*, 754 F.2d at 79 (defendant duplicated repeating ellipse containing logo), *and Banff, Ltd.*, 841 F.2d at 492 (presence of defendant's name did not offset similarity of trademark "B Wear" to plaintiff's trademark "Bee Wear"); where the label would not have been visible to the ordinary consumer, *see Krueger Int'l, Inc.*, 915 F.Supp. at 607 (chair's label insufficiently prominent primarily because the label was placed underneath the product, in a position where consumers were unlikely to see it); and where the product was of such a large size that the label would be overlooked, *see Kompan*, at 1175 (three by two inch label was too small in comparison to size of playground equipment).

In this case, the parties' trademarks have been placed on labels several inches across that are positioned at the upper rear exterior section of their carriers, so that the label is visible at all times. Further, no part of Tough Traveler's trademark has been copied in defendants' logo, and the carriers themselves are not of such a size that the labels are likely to be overlooked by consumers. The considerations that might reduce the label's effectiveness are thus not apparent here, and the danger of confusion from the design similarity is significantly reduced.

3) Actual Confusion

Evidence of actual confusion is a strong indicator that a likelihood of confusion exists. *Coach Leatherware Co. v. AnnTaylor, Inc.*, 933 F.2d 162, 170-71 (2d Cir. 1991).

Plaintiff offers as evidence of actual confusion one individual's name and address along with the allegation that this individual was confused as to the source of the Outbound carrier. See Pl. Resp. Def. Supp. Interrogs., ¶ 131. In addition, plaintiff points to testimony by Nancy Gold in which she alleges that five or six Canadian retailers indicated confusion. *See* Pl. Exh. 15. Defendants object to all of plaintiff's evidence on the grounds that it is inadmissible hearsay.

Hearsay is defined in the Federal Rules of Evidence as "a statement, other than one made by the declarant while testifying at the trial or hearing, offered in evidence to prove the truth of the matter asserted." Fed. R. Ev. 801. It is clear that testimony as to another person's statement concerning his confusion, offered to prove the existence of that confusion, is hearsay unless it falls within one of the exceptions to the hearsay rule. At least one court has concluded that such testimony is exempt from exclusion under the exception for statements expressing a state of mind, such as confusion. *See Frank Brunckhorst Co. v. G. Heileman Bewing* [sic] *Co.*, 875 F.Supp. 966, 980 fn. 22 (E.D.N.Y. 1994). However, that exemption cannot be applied in this case, as it covers only utterances of a *then-existing* state of mind. There is no evidence that, here, the declarant' [sic] statements were made contemporaneously with their confusion.

Further, it is not clear that plaintiff even alleges an instance of actual confusion. Merely providing the name and address of an individual is wholly conclusory, and inadequate to provide this Court with any means of determining the existence, nature and context of the confusion. Further, in Ms. Gold's testimony, she stated only

that there were "maybe" five or six retailers confused. See Pl. Exh. 15. When prompted for further instances of confusion, Ms. Gold related:

> I was in a store in Canada . . . and had a salesman, who did not know we were from Tough Traveler, show us the Outbound next to the Touch [sic] Traveler and said – he said you can – he showed us the features, showed us the Tough Traveler, and he said, "If you want to spend less, you can buy the Outbound. It's copied, it's a copy of the Tough Traveler."

Id. While this encounter does support the conclusion that the Outbound carrier is being sold as a cheaper substitute for the Tough Traveler carrier, it does not suggest that the retailer had any confusion about the distinct origins of the two carriers. To the contrary, it suggests that this retailer both knew that the products were made by different companies and took pains to point that out to customers. Thus, even were this Court to consider such hearsay admissible under a judicially-crafted exception for anecdotal evidence of actual confusion[3]], plaintiff's evidence would not establish any actual confusion in the marketplace.

Courts have not required plaintiffs to present evidence of actual confusion in order to prove a likelihood

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[3] Courts have implicitly recognized such an exception with regard to the use of surveys and opinion polls to demonstrate actual confusion. *See Hutchinson v. Essence Communications, Inc.*, 769 F.Supp. 541, 557 (S.D.N.Y. 1991); *Nestle Company v. Chester's Market, Inc.*, 571 F.Supp. 763, 772-773 (D.Conn. 1983). However, there is no established exception for anecdotal evidence and no apparent reason to create one.

of confusion. *Coach Leatherware Co.*, 933 F.2d at 170-71. However, where the products have been in competition for a substantial period of time, the absence of such evidence is considered "a strong indicator that the likelihood of confusion is minimal." *Plus Products*, 722 F.2d at 1006 (presumption applied after three-year period). Here, plaintiff's and defendants' products have been in direct competition from at least 1993 to the present. The absence of any admissible evidence on actual confusion is therefore a relevant factor.

4) Bad Faith

"Bad faith" on the part of the defendant has traditionally weighed heavily in the plaintiff's favor in whether likelihood of confusion exists, on the assumption that, "if [the junior user] adopts his designation with the intent of driving benefit from the reputation of the trademark or trade name, his intent may be sufficient to justify the inference that there is confusing similarity. Since he was and is intimately concerned with the probable reaction in the market, his judgment manifested prior to the controversy is highly persuasive." *Perfect Fit Industries, Inc., v. Acme Quilting Co., Inc.*, 618 F.2d 950, 954 (2d Cir. 1980) (quoting Restatement of Torts, § 729 cmt. f (1938)) (internal quotations omitted).

Nevertheless, the importance of bad faith as a factor has more recently been reduced. Just as the presence of intent is not controlling in the determination of whether there is inherent distinctiveness, as discussed previously, the presence of bad faith does not control in the determination of whether there is a likelihood of confusion.

Centaur Communications, 830 F.2d at 1228. " 'If a comparison of the other objective factors reveals no fair jury issue concerning likelihood of confusion, then intent to copy [the trademark or trade dress], even if found from the proffered evidence, would not establish a Lanham Act violation.' " *Id.* (quoting *Warner Bros. v. American Broadcasting Co.*, 720 F.2d 231, 246-47 (2d Cir. 1983)).

The most recent decision on the issue of "bad faith" has additionally clarified that proof that a defendant has copied is not proof that the defendant did so with "bad faith", i.e. the intent to confuse:

> It cannot automatically be inferred that intentionally copying a plaintiff's trade dress is for the purpose of deceiving or confusing consumers as to the source of the product. *See Andrew C. Finch, When Imitation is the Sincerest Form of Flattery: Private Label Products and the Role of Intention in Determining Trade Dress Infringement*, 63 U. Chi. L. Rev. 1243, 1255 (1996). A defendant who copies his competitor's trade dress may have valid reasons, wholly apart from a desire to confuse consumers, for doing so. *See id.* (noting that copying may be motivated by belief that trade dress is functional or generic, or by belief that copying is the best way to inform consumers that a generic product is a lower-priced alternative to the competitor's products). Indeed copying in order to market a functionally equivalent alternative product might well benefit consumers, which is one of the aims of the Lanham Act.
>
> Hence, in the absence of evidence, apart from proof of copying, that the defendant sought to confuse consumers, bad faith should

> not be inferred simply from the fact of copying. On the other hand, if there is additional evidence that supports the inference that defendant sought to confuse consumers as to the source of the product, we think the inference of bad faith may fairly be drawn to support a likelihood of confusion determination.

Fun-Damental Too, Ltd. v. Gemmy Industries Corp., 111 F.3d 993, 1005 (2d Cir. 1997).

In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), the Supreme Court expressed a similar concern with distinguishing a good faith desire to copy unprotected designs from a bad faith intent to confuse customers as to origin:

> [T]he plaintiff has the right not to lose his customers through false representations that those are his wares which in fact are not, but he may not monopolize any design or pattern, however trifling. The defendant, on the other hand, may copy plaintiff's goods slavishly down to the minutest detail: but he may not represent himself as the plaintiff in their sale.

Id. at 157 (quoting *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 301 (2d Cir. 1917) (alteration in original)).

The record supports the conclusion that defendants intentionally copied the design of plaintiff's carrier. Aside from the similarity of detail, plaintiff presents a letter, allegedly from Sandie Klassen, "Product and Packaging Coordinator" for Outbound Products, to a Korean manufacturer, stating in relevant part:

> We enclose a further six new items which we wish to develop with your assistance. . . . Tough

> Traveler Kid Carrier – In developing this item you would need to determine the mould cost for the frame, and also to avoid the possibility of any conflict over patent rights it would be permissible if not advisable for your version to be slightly different in construction. . . . If it is possible to duplicate this baby carrier and mould cost is not prohibitive, a counter sample in our usual medium blue high density nylon with navy polyester/cotton would be required.

Pl. Exh. 1. The expressed intent to "duplicate" the carrier, and the admission that defendants permitted only "slight" changes in construction, amply demonstrate that defendants copied the design of plaintiff's carrier.

Beyond the strong evidence of copying, however, there is little to suggest bad faith in this case. The letter mentioned above provides some support, inasmuch as a trier-of-fact could conclude that even "slight[ ]" changes were "inadvisable" precisely because of a desire to convince consumers that the Outbound product was really a Tough Traveler carrier. Pl. Exh. 1. However, the letter is ambiguous in this respect, for, as the court acknowledged in *Fun-Damental Too, Ltd.*, a desire to represent one's product as a "knock-off" (informing customers that a lower priced-alternative with similar functionality is available) is not the same as the desire to misrepresent the product's origin. The presence of a prominent label bearing the parties' trademarks on the product and the lack of similarity between the Tough Traveler trademark and the Outbound trademark argue against any finding of a bad faith intent to confuse. In sum, there is serious doubt as to whether bad faith existed in this case. Nevertheless, the Court is required to resolve such doubt in

plaintiff's favor, and therefore this factor, while not conclusive, weighs in support of a likelihood of confusion.

5) Quality

Plaintiff has presented evidence, disputed by defendants, that the defendants' carrier is of inferior quality. While such evidence is certainly probative of harm to the good will associated with plaintiff's alleged trade dress, *see Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987), it works against plaintiff in this analysis, insofar as it decreases the similarity of the products, and thus the likelihood of confusion. *See Banff, Ltd., id.* at 492; *Centaur Communications v. A/S/M Communications*, 830 F.2d 1217, 1228 (2d Cir. 1987) (lack of marked difference in quality supports the inference that the products emanate from the same source). However, unless the differences were likely to be "marked", *id.*, it is not appropriate to consider this factor as weighing heavily for either party.

6) Sophistication

Generally, the more sophisticated the consumers of the product are, the less likely it is that similarities in trade dress will result in confusion concerning the source and sponsorship of the product. *See Bristol-Myers Squibb Co., id.* at 1046. The focus of this factor is on how the nature of the purchasers or the nature of the purchase will affect the likelihood of confusion. The purchasers of carriers, as a group, do not appear to have any special qualifications beyond the likelihood of being parents.

However, a trier-of-fact must also take into account whether particular care will be taken in making the purchase due to cost or the importance of the item. *See Bristol-Myers Squibb Co.*, 973 F.2d at 1046-47 (greater likelihood of confusion where cold medicine was inexpensive and "low-involvement" item). The carriers are relatively expensive and will be used to carry children, suggesting the product will not be an "impulse buy." *See Schieffelin & Co. v. Jack Company of Boca, Inc.*, 850 F.Supp. 232, 250 (S.D.N.Y. 1994) (no record that shoppers would impulse buy a high-priced bottle of popcorn). Furthermore, the importance of matching the functional characteristics of the carrier to the parent's needs is apparent in the literature provided by plaintiff:

> Whatever your intentions are, it is wise to look at many carriers closely and try some of them on to test the fit. According to many parents who are accustomed to taking their children on outings, both children and parents do best when they are most comfortable and they look for gear that can adapt to the needs of the growing child.

See Pl. Exh. 6, "kid's korner." There is every reason, therefore, to expect that consumers will exercise care in their selection.

Some courts have suggested that sophistication might actually increase confusion where the trade dress of the products are particularly similar. *See, e.g., Centaur Communications, id.* at 1228. The origin for this theory appears to be *Grotrian, Helfferich, Schulz, Etc. v. Steinway & Sons*, 523 F.2d 1331, 1341 (2d Cir. 1975), in which the court found that evidence that care would be taken in the

purchase did not eliminate the likelihood of confusion where buyers might believe that the junior user had reproduced the dress pursuant to some form of licensing agreement with the senior user. This theory does not reverse the normal effect of sophistication, but merely suggests why it might not be determinative in certain contexts. Likewise, the court in *McGregor-Doniger Inc.*, 599 F.2d at 1137, found only that "where the products . . . and marks are identical, the sophistication of buyers cannot be relied on to prevent confusion." Courts should therefore not presume that sophistication will lead to increased confusion where there is similarity. Moreover, in absence of some evidence that a relationship between the parties exists, to assume that consumers are likely to suppose the existence of such a relationship is overly speculative. *See Grotrian* at 1342, n.20 (likelihood, not mere possibility, that consumers will suppose a connection is required).

The only evidence in the record related to licensing is the undisputed fact that plaintiff licensed its Kid Carrier to L.L. Bean, who then sold the carrier under its own label, with hang-tags and an information booklet that indicated its true origin. This fact provides at least some support for a finding that consumers might suppose such a relationship between plaintiff and defendants exists, since the relationship with L.L. Bean establishes a precedent for the practice that could have been repeated. However, a trier-of-fact would still be required to conclude (1) that an appreciable number of consumers were aware of the relationship between Plaintiff and L.L. Bean, despite both the evident failure of the reviewers of the L.L. Bean product to note the connection and the limitations of the

hang-tag as an identifier, and (2) that those same consumers would then assume, while viewing the Outbound carrier that it was the product of a similar licensing arrangement. This chain of speculation suggests that, out of the full set of consumers who will take care in the purchase of their child carrier, only a few are likely to mistakenly assume that the Outbound carriers are licensed by Tough Traveler. Thus, the factor of sophistication must, to some extent, weigh against plaintiff.

7) Overall Likelihood of Confusion

Plaintiff's burden is to show that the confusion of numerous purchasers as to the origin of the product is likely. *See Gruner+Jahr USA Publishing, a Division of Gruner+Jahr Printing and Publishing Co., v. Meredith Corp.*, 991 F.2d 1072, 1077 (2d Cir. 1993). Considering all the relevant factors, and allowing for reasonable inferences in plaintiff's favor on disputed factual questions, the record does not support a finding that an appreciable number of prudent consumers are likely to be confused. The danger of confusion is significantly reduced by the combination of a likelihood of care in the purchase of the product, a weak trade dress and a prominent label bearing the parties' trademarks, particularly where it appears from the submissions of the parties that advertisements and reviews, in discussing the carriers, invariably reference the relevant trademark when naming the product. *See*, e.g., Gold Aff. Exh. E ("The Tough Traveler Kid Carrier features a bucket seat. . . . ") The absence of evidence demonstrating actual confusion, in light of the period of time for which the products have been in competition

further supports the conclusion that while plaintiff may have lost sales due to the reproduction of its design by a competitor, it has most likely not lost sales, and mostly [sic] likely will not lose sales, due to a mistake of origin. A conclusion that defendants acted in bad faith does not outweigh these considerations. Accordingly, defendants' motion for summary judgment on the claim of trade dress infringement shall be granted.

C. The New York common law unfair competition claim

Defendants also move for summary judgment on this claim. Plaintiff cross-moves for summary judgment. "[T]he essence of unfair competition under New York common law is the bad faith misappropriation of the labors and expenditures of another, likely to cause confusion or to deceive purchasers as to the origin of the goods." *Jeffrey Milstein, Inc.*, 58 F.3d at 34 (alteration in original; citations and internal quotation marks omitted). a plaintiff must show either actual confusion in an action for damages or a likelihood of confusion for equitable relief. *Id.* at 35. In addition, there must be a showing of bad faith. *Id.*

Likelihood of confusion is judged in an unfair competition claim in the same manner as a Lanham Act claim. *See Bristol-Myers Squibb Co.*, 973 F.2d at 1048 (affirming application of Polaroid factors to unfair competition claim); *Horn's, Inc., v. Sanofi Beaute, Inc.*, 963 F.Supp. 318, 328 (S.D.N.Y. 1997). The conclusion that a reasonable trier-of-fact could not conclude that there is a likelihood of confusion in the Lanham Act claim applies here with

equal force. Summary judgment is therefore granted to defendants.

Accordingly, it is hereby

ORDERED that defendants' motion for summary judgment on all claims is GRANTED; and it is further

ORDERED that plaintiff's motion for summary judgment on the New York common law unfair competition claim is DENIED; and it is further

ORDERED that the Clerk serve a copy of this order on all parties by regular mail.

IT IS SO ORDERED.

/s/ Lawrence E. Kahn
LAWRENCE E. KAHN
United States
District Judge

Dated: December 1, 1997
Albany, New York

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

TOUGH TRAVELER, INC,
Plaintiff,

94-CV-449

-against-

OUTBOUND PRODUCTS, TAYMOR INDUSTRIES U.S.A., INC. AND TAYMOR INDUSTRIES, LTD.,

Defendants.

APPEARANCES: OF COUNSEL:

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CON. G. CHOLAKIS, D.J.

MEMORANDUM DECISION AND ORDER

Pursuant to § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), plaintiff Tough Traveler, Inc. seeks an immediate and preliminary injunction against defendant Outbound Products' alleged infringement of the trade dress[1] of plaintiff's backpack-type child carriers[2].

A visual inspection of the two child carriers specifically in dispute, plaintiff's exhibits 1 and 2 reveals a remarkable similarity between the two products; and the primary question before this court is: does that similarity rise to the level, under the facts and circumstances of this case, as well as the applicable law, to be considered an infringement of plaintiff's "trade dress?"

As alleged, the distinctiveness of Tough Traveler's child carrier – copied by defendants – is evidenced by: "the lightweight, narrow and slim design[,] [which contribut[es] to their . . . overall look and appearance[,] [a] vertical stripe on the seats and back, . . . shaped side flaps, a . . . diagonal zipper located at the back accessing a deep pocket on the bottom, and [the] frame."

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[1] ' "The "trade dress" of a product is essentially its total image and overall appearance." 'It "involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques.' " *Two Pesos, Inc. v. Taco Cabana, Inc.*, ___ U.S. ___, 112 S.Ct. 2753, 120 L.Ed.2d 615, 621 n.1 (1993) (citations omitted).

[2] Defendant's supply of the allegedly infringing carrier are apparently depleted; accordingly, plaintiff seeks to stop the reordering of this product from a manufacturer in Korea.

To prevail on a motion for a preliminary injunction in the Second Circuit, the party seeking the injunction must show:

(1) irreparable harm[3]; and

(2) either

(a) the likelihood of success on the merits, or

(b) sufficiently serious questions going to the merits, and a balance of hardships tipping decidedly toward the party seeking the injunctive relief.

Bourne v. Tower Records, Inc., 976 F.2d 99, 101 (2d Cir. 1992); *Loveridge v. Pendleton Woolen Mills, Inc.*, 788 F.2d 914, 916 (2d Cir. 1986).

As set forth in *Paddington Corp. v. Attiki Importers & Distributors, Inc.*, 996 F.2d 577, 582 (2d Cir. 1993),

> [t]o prevail in an action for infringement of . . . trade dress under Lanham Act § 43(a), a plaintiff must prove (1) that its mark is distinctive and (2) that a likelihood of confusion exists between its product and the defendant's. *Two Pesos*, ___ U.S. ___, ___, 112 S.Ct. 2752, 2758; *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.* 973 F.2d 1033, 1038-39 (2d Cir. 1992). [However], functional packaging and product design are

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[3] In the present matter, speculation as to the amount of lost sales, the future inability to accurately account for the amount of such lost sales, and the uncertain results of consumer confusion, represent unknown and incalculable damages. Accordingly, if defendant restocks its inventory of the allegedly infringing product and is permitted to market that inventory, irreparable harm will occur.

> unprotected, and functionality may be raised as a defense to an action for trade dress infringement. *LeSportsac, Inc. v. K Mart Corp.* 754 F.2d 71, 75-76 (2d Cir. 1985).

DISTINCTIVENESS

Under the holding of *Two Pesos*, "proof of secondary meaning is not required . . . where the trade dress at issue is *inherently distinctive*[.]" *Two Pesos*, L.Ed.2d at 628 (emphasis added). The critical issue "is not whether a trade dress has in fact come to identify a specific producer, but whether it is *'capable* of identifying a particular source of the product.' " *Paddington*, 996 F.2d at 582-83 (quoting *Two Pesos*,, 112 S.Ct. at 2759). Moreover, within the Second Circuit, application of the trademark classifications set forth by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) is used to establish the "inherent distinctiveness" of trade dress. *Paddington*, 996 F.2d at 583.

> Under the *Abercrombie* test, marks are classified as either (1) generic; (2) descriptive; (3) suggestive; or (4) arbitrary or fanciful. While the Court in *Two Pesos*, lists arbitrary and fanciful as two separate classifications, the substance of *Two Pesos*, treats them as being equivalent, in accordance with *Abercrombie*. Suggestive and arbitrary or fanciful marks are considered to be inherently distinctive, and therefore always satisfy the first prong of the test for Lanham Act § 43(a) trademark protection. If a mark is descriptive, however, the plaintiff must establish that it has acquired secondary meaning in order to become distinctive and thereby satisfy

> the first prong of Lanham Act trademark analysis. Generic marks are never protectable.

Id. (citations omitted).

In making this assessment, a court should recognize that although each of the individual elements making up a product's trade dress may not be inherently distinctive, "it is the combination of these elements and the total impression that the dress gives to the observer that should be the focus of a court's analysis of distinctiveness. If the overall dress is arbitrary, fanciful, or suggestive, it is inherently distinctive despite its incorporation of generic or descriptive elements." *Id.* at 584.

In the instant case, it appears to the court that the overall appearance of Tough Traveler's carrier *is* inherently distinctive: despite defendant's claims to the contrary, the *combination* of such arbitrary and fanciful *elements* as a diagonal zipper and two-tone cloth panels of various sizes and shapes – incorporated into a lightweight, narrow and slim design – conveys an inherently distinctive total image and overall appearance.[4] At the very least, plaintiff has raised serious questions going to the merits, which – if the balance of hardships tips

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[4] Moreover, although non-distinctive individual elements might only be functional, "the particular combination and arrangement of [those] design elements . . . when viewed in [their] entirety [can be] nonfunctional." *LeSportsac*, 754 F.2d at 76. Thus, the inherent distinctiveness of a trade dress – created by a collection of wholly separate, but functional parts – is protectable, if that particular amalgamation of disparate parts is not *essential* to the use or purpose of the end product. *See id.*

decidedly in favor of plaintiff[5] – is sufficient to establish plaintiff's entitlement to a preliminary injunction. *See id.* at 78-79.

LIKELIHOOD OF CONFUSION

In addition to the classifications of distinctiveness set forth above, Judge Friendly also set forth the factors applicable to an evaluation of the likelihood of confusion in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). *See Paddington*, 996 F.2d at 584 (*Polaroid* factors apply to likelihood of confusion determination in trade dress cases). Those factors to be considered are:

> (1) the strength of the plaintiff's mark or dress; (2) the similarity between the two marks or dresses; (3) the proximity of the products in the marketplace; (4) the likelihood that the prior owner will bridge the gap between the products; (5) evidence of actual confusion; (6) the defendant's bad faith; (7) the quality of the defendant's product; and (8) the sophistication of the relevant consumer group. Furthermore, the evaluation of the *Polaroid* factors is not a mechanical process 'where the party with the greatest number of factors weighing in its favor wins.' Rather, a court should focus on the ultimate question of whether consumers are likely to be confused.

Paddington, 996 F.2d at 584 (citations omitted).

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[5] Here, due to the clear possibility of irreparable harm – and in consideration of the parties; respective sales volumes for child carriers – the hardships do tip decidedly in plaintiff's favor.

Here too, the determination based upon these factors raises, *at a minimum*, serious questions going to the merits.

CONCLUSION

In accordance with the Court's determination that (1) the potential for irreparable harm exists, (2) sufficiently serious questions going to the merits exist, and (3) the balance of hardships tips decidedly in plaintiff's favor, the Court hereby GRANTS plaintiff's request for a preliminary injunction: defendants are enjoined from selling Outbound Products model # 27-750 (plaintiff's exhibit 2) or any other child carrier which is similarly confusing in respect to the Tough Traveler child carrier presently before the Court as plaintiff's exhibit 1. In addition, plaintiff shall post a security bond in the amount of Fifty Thousand Dollars ($50,000.00).

IT IS SO ORDERED.

/s/ Con G. Cholakis
CON. G. CHOLAKIS, JUDGE
UNITED STATES
DISTRICT COURT

DATED: Albany, New York
September 23, 1994

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

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No. 1691 August Term, 1994

(Argued: May 22, 1995 Decided: JUL 21 1995)

Docket No. 94-9286

TOUGH TRAVELER, LTD.,

Plaintiff-Appellee,

- v. -

OUTBOUND PRODUCTS, TAYMOR INDUSTRIES, LTD., and TAYMOR INDUSTRIES, U.S.A., INC.,

Defendants-Appellants.

Before: VAN GRAAFEILAND, KEARSE, and JACOBS, *Circuit Judges.*

Appeal from a preliminary injunction entered in the United States District Court for the Northern District of New York, Con. G. Cholakis, *Judge,* in action for trade dress infringement and unfair competition, forbidding defendants to sell certain child carriers.

Vacated and remanded.

Judge Jacobs concurs, in a separate opinion.

PAUL C. RAPP, Albany, New York (Susan E. Farley, Nicholas Mesiti, Heslin & Rothenberg, Albany, New York, on the brief), *for Plaintiff-Appellee.*

BARRY G. MAGIDOFF, New York, New York (Paul J. Sutton, Sutton, Basseches, Magidoff & Amaral, Reid

& Priest, New York, New York, on the brief), *for Defendants-Appellants.*

KEARSE, *Circuit Judge:*

Defendants Outbound Products *et al.* (collectively "Outbound") appeal from an order of the United States District Court for the Northern District of New York, Con. G. Cholakis, *Judge,* in this action brought for trade dress infringement in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (Supp. IV 1992) ("Lanham Act" or "Act"), and state-law unfair-competition principles, granting the motion of plaintiff Tough Traveler, Inc. ("Tough Traveler"), for a preliminary injunction against defendants' sales of certain allegedly infringing products. On appeal, Outbound contends principally that the injunction was improperly granted because the district court failed to conduct a hearing on the motion and did not apply the correct legal standards. Because we agree that the court did not apply the correct legal standard with respect to whether Tough Traveler had shown a likelihood of irreparable injury, we conclude that the granting of the injunction was an abuse of discretion, and we therefore vacate and remand for further proceedings.

I. BACKGROUND

Tough Traveler is a manufacturer and seller of, *inter alia,* backpacks and child carriers. Outbound Products, a division of defendants Taymor Industries, Ltd., and Taymor Industries, U.S.A., Inc. (collectively "Taymor"), also sells child carriers. According to the complaint, filed in April 1994, Tough Traveler began in 1984 to design, manufacture and market a backpack-type child carrier

referred to as the "Kid Carrier." The complaint alleges that the Kid Carrier, a high quality product, incorporates many inherently distinctive, nonfunctional design features and that, as a result of widespread advertising and promotion, the Kid Carrier has come to be identified by consumers as a Tough Traveler product. The complaint asserts that Outbound copied Tough Traveler's Kid Carrier; that it caused cheaper, inferior, and confusingly similar child carriers to be manufactured abroad; and that it sold the Outbound carriers in the United States in competition with Tough Traveler. It alleges that Outbound's products infringe Tough Traveler's trade dress in violation of the Lanham Act and state unfair-competition laws, and that, "[u]pon information and belief, such acts have already caused confusion, mistake and deception," causing Tough Traveler injury in excess of $300,000.

Outbound filed an answer admitting that it sells a child carrier, which it calls the "Toddler Tote," but denying most of the other material allegations of the complaint.

In August 1994, Tough Traveler moved for a preliminary injunction forbidding Outbound to sell the Toddler Tote or similar child carriers. The motion was supported chiefly by the affidavits of Tough Traveler's president Nancy Gold; its production and purchasing manager Christine Gauss; and a merchant, Joseph Raftis. Gold stated, *inter alia*, that she had seen sporting goods manufacturers/retailers who had confused the Outbound and Tough Traveler child carriers. Raftis stated that customers in his store had likewise been confused. Gauss stated, *inter alia*, that in February 1994, she had met a Mr. S. K. Choe, who said his company manufactured Outbound's

child carrier in Korea, that "Outbound had sent him 'a Tough Traveler [child] carrier to make,' and that he essentially made a duplicate of the Tough Traveler carrier modifying it only slightly" (Affidavit of Christine Gauss dated August 3, 1994, ¶ 7). Gauss also stated that, according to Choe, Outbound's product is inferior to the Kid Carrier. Because of the lower cost resulting from its foreign manufacture and its inferior materials, Outbound's Toddler Tote was sold at a lower price than the Kid Carrier.

Outbound opposed the motion on various grounds. It submitted, *inter alia*, the affidavit of a Taymor vice president disputing the Gold affidavit's assertions with respect to public perceptions and the likelihood of confusion; stating that Taymor's records did not indicate that Raftis had ever received the Toddler Tote to sell in his stores; and denying that Outbound's child-carrier products had ever been supplied by Choe or Choe's company.

Outbound also contended that Tough Traveler's motion was unduly belated. In support of this contention, it submitted, *inter alia*, the affidavit of its sales manager Phillip K. Brown, who said that Gold had called him, inquiring about Outbound's sales of the Toddler Tote, no later than the early or middle part of 1993. Outbound also submitted the affidavit of one Bill Chandler, an independent sales representative for several manufacturers of outdoor products including Outbound, and formerly including Tough Traveler, Chandler stated that Gold had inquired about Outbound's child carrier after she saw it at a February 1993 trade show. Chandler also stated that he did not regard the Outbound and Tough Traveler child carriers as confusingly similar.

Gold replied with a second affidavit, stating that she had no recollection of seeing the Outbound child carrier prior to mid-summer of 1993. She stated that prior to that time, however, Chandler had told her that defendants had copied the Tough Traveler carrier. Gold also stated that after seeing the Outbound carrier, she had been unsure whether there were any sales in the United States, but that just before Tough Traveler filed its injunction motion, she had learned of defendants' intention to reorder child carriers for distribution in the United States.

The district court, without holding a hearing, granted Tough Traveler's motion for a preliminary injunction. In a Memorandum Decision and Order dated September 23, 1994, the court found that the overall appearance of Tough Traveler's carrier was inherently distinctive and that Tough Traveler had raised sufficiently serious questions going to the likelihood of confusion. The court also found the likelihood of irreparable injury established because

> speculation as to the amount of lost sales, the future inability to accurately account for the amount of such lost sales, and the uncertain results of consumer confusion, represent unknown and incalculable damages. Accordingly, if defendant restocks its inventory of the allegedly infringing product and is permitted to market that inventory, irreparable harm will occur.

Id. at 3 n.3. Based on this finding of potential irreparable harm, and "in consideration of the parties' respective sales volumes for child carriers." *Id.* at 5 n.5, the court

concluded that the balance of hardships tipped in favor of Tough Traveler.

The district court denied a motion by Outbound for reconsideration, which included a request for an oral hearing. This appeal followed.

II. DISCUSSION

On appeal, Outbound contends that the preliminary injunction should be vacated principally because the district court (1) failed to hold a hearing or permit oral argument before issuing the injunction; and (2) applied incorrect legal standards, in that (a) in assessing the distinctiveness of Tough Traveler's trade dress, it failed to consider the difference between trade dress based on packaging configuration and that based on product configuration, (b) in assessing the likelihood of confusion, it relied on aspects of similarity that are based on the functional requirements of the product, and (c) in assessing the potential for irreparable injury, it failed to consider Tough Traveler's tardiness in seeking an injunction. We find merit in the last contention and need not discuss the others.

The Lanham Act makes it unlawful for a seller of goods to use "any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin" which "is likely to cause confusion . . . as to the origin" of the goods. 15 U.S.C. § 1125(a)(1). The Act also protects the "trade dress" of a product, which involves its "total image . . . includ[ing] features such as size, shape, color or color combinations, texture, or graphics." *Le-Sportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (2d Cir. 1985)

(internal quotes and alterations omitted). To prevail on a claim of trade dress infringement, a plaintiff must establish (1) that its trade dress is distinctive either (a) because it is inherently so or (b) because it has acquired secondary meaning, and (2) that a likelihood of confusion exists between its product and the defendant's product. *See, e.g., Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753, 2758 (1992).

In order to obtain a preliminary injunction, the moving party must show (1) the likelihood of irreparable injury, and (2) either (a) likelihood of success on the merits, or (b) sufficiently serious questions going to the merits and a balance of hardships tipping decidedly in the movant's favor. *See, e.g., Fisher-Price, Inc. v. Well-Made Toy Manufacturing Corp.*, 25 F.3d 119, 122 (2d Cir. 1994); *Bourne Co. v. Tower Records, Inc.*, 976 F.2d 99, 101 (2d Cir. 1992); *Citibank, N.A. v. Citytrust*, 756 F.2d 273, 275 (2d Cir. 1985). In a trademark case, irreparable injury may be found "where 'there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.' " *Joseph Scott Co. v. Scott Swimming Pools, Inc.*, 764 F.2d 62, 66 (2d Cir. 1985) (quoting *McGregor-Doniger, Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979)). When a plaintiff has shown a "high probability of confusion," there is normally a presumption of irreparable harm because

> [w]hile an injured plaintiff would be entitled to recover the profits on the infringing items, this is often difficult to determine; moreover, a defendant may have failed to earn profits because of the poor quality of its product or its

> own inefficiency. Indeed, confusion may cause purchasers to refrain from buying either product and to turn to those of other competitors. Yet to prove the loss of sales due to infringement is also notoriously difficult. . . . Furthermore, if an infringer's product is of poor quality, or simply not worth the price, a more lasting but not readily measurable injury may be inflicted on the plaintiff's reputation in the market.

Omega Importing Corp. v. Petri-Kine Camera Co., 451 F.2d 1190, 1195 (2d Cir. 1971); *see also Fisher-Price, Inc. v. Well-Made Toy Manufacturing Corp.*, 25 F.3d at 124.

Nonetheless, any such presumption of irreparable harm is inoperative if the plaintiff has delayed either in bringing suit or in moving for preliminary injunctive relief. *See generally id.* (suit); *Majorica, S.A. v. R.H. Macy & Co.*, 762 F.2d 7, 8 (2d Cir. 1985) (per curiam) (suit and motion); *Citibank, N.A. v. Citytrust*, 756 F.2d at 276-77 (suit). Though such delay may not warrant the denial of ultimate relief, it may, "standing alone, . . . preclude the granting of preliminary injunctive relief," *Majorica, S.A. v. R.H. Macy & Co.*, 762 F.2d at 8, because the "failure to act sooner undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief and suggests that there is, in fact, no irreparable injury," *Citibank, N.A. v. Citytrust*, 756 F.2d at 277 (internal quotes omitted); *see also Fisher-Price, Inc. v. Well-Made Toy Manufacturing Corp.*, 25 F.3d at 124. Although delay may not negate the presumption of irreparable harm if the delay was caused by the plaintiff's ignorance of the defendant's competing product or the plaintiff's making good faith efforts to investigate the alleged infringement, *see id.*, if it is not so

explainable, "delay alone may justify denial of a preliminary injunction." *Citibank, N.A. v. Citytrust*, 756 F.2d at 276 (delay of suit for nine months after receiving notice in the press, and 10 weeks after receiving actual notice, negates any presumption of irreparable harm).

Tough Traveler commenced the present action in April 1994. While there is some disagreement as to precisely when it had first seen Outbound's Toddler Tote, Tough Traveler's president admitted to having been aware of that competing product no later than the middle of 1993. Thus, Tough Traveler waited at least nine months to commence the present law suit. After commencing the action, Tough Traveler waited some four months longer – *i.e.*, more than a year after learning of the alleged infringement – before moving for a preliminary injunction. There has been no suggestion that these delays were attributable to Tough Traveler's pursuit of further investigation of the alleged infringement. In its brief on this appeal, Tough Traveler states that "since Outbound's sales of child carriers occur between January and June of the calendar year, at the time Tough Traveler saw Outbound's infringing carrier no child carrier sales were being made." Even this rationale, which presumably was directed at the 1993 selling season, since Gold admits she saw the Toddler Tote in mid-1993, cannot explain why Tough Traveler allowed what it would presumably view as Outbound's entire 1994 selling season to pass, waiting until August 1994 to seek preliminary injunctive relief.

The district court, without discussion of the timing of Tough Traveler's steps to protect its trade dress, adopted the general presumption of irreparable injury notwithstanding Tough Traveler's manifest delay in bringing the

action and in making the motion. We conclude that, given the leisurely pace of Tough traveler's pursuit of the matter, the court's reliance on the general presumption was a misapplication of the law.

CONCLUSION

As to the issue of irreparable harm, we have considered all of Tough Traveler's appellate contentions and have found them unpersuasive. We express no view on the merits of the parties' contentions with respect to the other issues in the action. The order of the district court granting the preliminary injunction is vacated and the matter remanded to that court for further proceedings.

The costs of this appeal shall abide the ultimate outcome of the action.

JACOBS, *Circuit Judge,* concurring in the result:

I concur in the result and write separately because I think the tendency of the majority opinion is to create an inflexible rule that may preclude the issuance of a preliminary injunction in every case of trade dress infringement where the party seeking the injunction has inexcusably delayed seeking preliminary relief. Contrary to the majority, I conclude that we should accept the district court's findings on irreparable injury and that we should reverse on the ground that the district court abused its discretion in finding that plaintiff demonstrated a likelihood of success on the ultimate merits. In particular, I conclude

that the similarities between the Tough Traveler and Outbound child carriers are functional, and that the different trademarks displayed in the same prominent spot on both products avoid confusion.

I

The presumption of irreparable harm, as the majority states, is inoperative if the plaintiff has delayed in either bringing suit or in moving for a preliminary injunction, *see Majorica, S.A. v. R.H. Macy & Co.*, 762 F.2d 7, 8 (2d Cir. 1985); but the district court *did not* rely on this presumption in granting the injunction. Rather, as the draft acknowledges, *ante* at ___, the district court made findings that Tough Traveler would suffer irreparable injury because

> speculation as to the amount of lost sales, the future inability to accurately account for the amount of such lost sales, and the uncertain results of consumer confusion, represent unknown and incalculable damages. Accordingly, if defendant restocks its inventory of the allegedly infringing product and is permitted to market that inventory irreparable harm will occur.

These are sufficient findings in themselves to support the district court's *finding* of irreparable injury. There was no impermissible reliance on the *presumption*.

The majority relies on *Citibank, N.A. v. Citytrust*, 756 F.2d 273 (2d Cir. 1985), for the proposition that "[s]ignificant . . . delay alone *may* justify denial of a preliminary injunction. . . . " *Id.* at 276 (emphasis added). The *Citibank*

opinion also cautions that "[d]elay in seeking enforcement of those rights . . . tends to indicate at least a reduced need for such drastic, speedy action." *Id.* Thus *Citibank* does not preclude preliminary relief even if the district court finds unexcused delay. Delay is just one of several factors to consider. In *Citibank*, we vacated the injunction and remanded for further proceedings because the district court had failed adequately to address the "irreparable injury" issue, and had instead relied solely on the presumption of irreparable injury applicable in trademark cases.

I appreciate that the findings made by the district court here echo the irreparable injuries deemed by this Court to justify the presumption: the difficulty of calculating the infringer's illegal profits and the plaintiff's lost business, and the irreparable loss of customers to products of other competitors. *See Omega Importing Corp. v. Petri-Kine Camera Co.*, 451 F.2d 1190, 1195 (2d Cir. 1971). However, that is the likely list of considerations available to support an inference of irreparable harm in the absence of a presumption. In this case the district court expressed these considerations as findings. Under the circumstances, they are not clearly erroneous. If the making of such findings is deemed tantamount to invoking the presumption, it is difficult to see what findings could ever be sufficient to overcome or counteract an unexcused delay.

In short, *Citibank* held that the presumption of irreparable injury does not apply in circumstances of unexcused delay; the tendency of the majority opinion is to make the contrary presumption irrebuttable in such circumstances.

II

Although I respectfully disagree with the majority on the irreparable injury issue, I concur in the result because, although the child carriers created by Outbound and Tough Traveler resemble each other, the resemblance is caused by features that are purely functional.

The appendix filed in this appeal includes full-color photographs of the two products. At oral argument the parties provided the court with sample child carriers for examination. Other than the difference between their logos, the products are generally similar. The plaintiff alleged, and the district court found, that the similarities include "the lightweight, narrow and slim design," which "contribut[es] to" the carriers, "overall look and appearance[,] [a] vertical stripe on the seats and back, . . . shaped side flaps, a . . . diagonal zipper located at the back accessing a deep pocket on the bottom, and [the] frame." Memorandum Decision and Order, September 32, 1994 at 2.

As the majority sets fourth, trade dress is protected under § 43(a) of the Lanham Act, which provides a private right of action against any party who "in connection with any goods . . . or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof . . . which is likely to cause confusion, or to cause mistake, or to deceive . . . as to the origin, sponsorship, or approval of his or her goods . . . by another person." 15 U.S.C. § 1125(a). To prevail in a § 43(a) case, a plaintiff must establish (1) that an identifying mark is either (a) inherently distinctive or (b) has acquired distinctiveness through secondary meaning and

(2) a likelihood of confusion exists between the similar products sold by plaintiff and defendant. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2758 (1992); *Paddington Corp. v. Attiki Importers & Distrib., Inc.*, 996 F.2d 577, 582 (2d Cir. 1993).

In addition, it is well established that functional packaging and product design are unprotected,[1] and that functionality may be raised as a defense to an action for trade dress infringement. *Paddington*, 996 F.2d at 582. "Functional symbols (those that are essential to a product's use as opposed to those which merely identify it) are not protected under" the Lanham Act. *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 330 (2d Cir. 1983). This defense "was developed to protect advances in functional design from being monopolized. It is designed to encourage competition and the broadest dissemination of useful design features." *Id.* at 331 (footnote omitted).

A functional feature is "one that 'is essential to the use or purpose of the article or [that] affects the cost or quality of the article.' " *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 76 (2d Cir. 1985) (quoting *Inwood Lab., Inc. v.*

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[1] Under no circumstances do I believe this appeal compels us to decide whether, as urged by appellant, we should adopt the method of analysis recently identified by the Third Circuit in *Duraco Products v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431 (3d Cir. 1994). *Duraco* classifies "product packaging" as separate from "product configuration" and states that different tests apply to each of the two classes.

Ives Laboratories, Inc., 456 U.S. 844, 850 n.10 (1982)) (alteration in *LeSportsac*). The burden of establishing this affirmative defense rests with the defendant. *LeSportsac*, 754 F.2d at 75-76.

The district court specifically rejected Outbound's argument that any similarity between its child carrier and Tough Traveler's was attributable solely to functionality, noting simply:

> In the instant case, it appears to the court that the overall appearance of Tough Traveler's carrier *is* inherently distinctive: despite defendant's claims to the contrary, the *combination* of such arbitrary and fanciful *elements* as a diagonal zipper and two-tone cloth panels of various sizes and shapes – incorporated into a lightweight, narrow and slim design – conveys an inherently distinctive total image and overall appearance.

Memorandum Decision and Order at 5. The court, citing to *LeSportsac*, 754 F.2d 71, also offered the following comments in a footnote:

> [A]lthough non-distinctive individual elements might only be functional, "the particular combination and arrangement of [those] design elements . . . when viewed in [their] entirety [can be] nonfunctional." *LeSportsac*, 754 F.2d at 76. Thus the inherent distinctiveness of a trade dress – created by a collection of wholly separate, but functional parts – is protectable, if that particular amalgamation of disparate parts is not *essential* to the use or purpose of the end product. *See Id.*

Memorandum Decision and Order at 5 n.4 (alternations in Memorandum).

In relying on *LeSportsac*, a case involving similar lines of lightweight luggage, the district court insufficiently appreciated that the defendants had copied arbitrary as well as functional elements of LeSportsac's product. The *LeSportsac* opinion listed a number of arbitrary features of the LeSportsac design that defendants adopted, and explained how defendants could have differentiated their product without diminishing its functionality: "For example, the cotton carpet tape and carrying straps could be placed differently, contrasted in color with the bag or be made thicker or thinner; zipper pulls could be solid or nonrectangular; the repeating elliptical logo could be changed or placed differently." *LeSportsac*, 754 F.2d at 77. In this case the district court failed to identify any specific changes that could be made in Outbound's child carrier that would not affect the functionality of the product. The diagonal zipper creates a wider opening; two-toning is not much of an inspiration; and the lightweight, compact design will be deemed functional by any parent harnessed into this contraption.

The district court's conclusion as to functionality does not consider the guidance furnished by this Court's opinion in *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971 (2d Cir. 1987). The district court had enjoined the defendant from marketing a line of raincoats that bore a strong resemblance to Stormy Clime's "COOL IT" rain jacket. In vacating the injunction, we reviewed the numerous features common to both products: the high-sheen waterproof fabric, the hood, and the cunning vents and folds which "appear[ed] to be dictated by the purpose of providing a low-cost, unemcumbering, waterproof jacket for wear while playing golf and other sports." *Id.* at 976.

Although the many functional materials, configurations and details resulted in "rainjackets [that] are similar in appearance, their purely ornamental features and labeling differ in almost every respect other than color. . . . " *Id.*

In my view, this case is governed by *Stormy Clime.* Child carriers are as thoroughly functional as clothespins. Once the numerous functional elements of a child carrier are accounted for – the folding frame that forms a stand; the narrow, lightweight back harness; the waist straps; the forward-facing sling seat and headrest of soft fabric; the side flaps to keep out the wind; the utility pocket with a wide zipper opening; and so on – few arbitrary or decorative features can be identified. In affidavits submitted to the district court, defendants point out the functional qualities of nearly every independent component of their product. Joint Appendix ("JA") at 339-47. These functional features dominate the design of the two

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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
UNITED STATES COURT HOUSE
40 FOLEY SQUARE
NEW YORK 10007

CAROLYN CLARK CAMPBELL
CLERK

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 12 day of November one thousand nine hundred and ninety-eight.

Present:

Hon. Ralph K. Winter

CIRCUIT JUDGE (Filed Nov. 12, 1998)

Hon. Michael B. Mukasey*

Hon. Jane A. Restani**

Tough Traveler, Ltd.

Plaintiff-Appellant

v Docket No. 98-7002

Outbound Products

Defendant-Appellee

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* The Honorable Michael B. Mukasey, of the United States District Court for the Southern District of New York, sitting by designation.

** The Honorable Jane A. Restani, of the United States Court of International Trade, sitting by designation.

A petition for rehearing having
been filed herein by Tough Traveler, Ltd,

Upon consideration thereof, it is

Ordered that said petition be and it hereby is **DENIED.**

FOR THE COURT
CAROLYN CLARK CAMPBELL,
Clerk

By: /s/ Beth J. Meader
Beth J. Meader,
Administrative Attorney